Nation's Business
A USEFUL LOOK AHEAD
MAY 1964

MORE TAX CUTS COMING

PAGE 38

Here's way to rebuild your city PAGE 34

Parkinson on dangers in growth PAGE 36

Boom raises three challenges PAGE 31

This test spots leaders PAGE 68



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3 BRAND-NEW FORD TRUCK ENGINES GIVE YOU MORE POWER AND ECONOMY, EXTRA LONG LIFE!

New from Ford: a family of three High Displacement heavy-duty V-8's designed to cut operating costs and improve performance compared to engines with less displacement. These new engines are available in three types of trucks (see illustrations above) rated up to 49,000 lbs. GVW.

With Ford's new High Displacement V-8's, your drivers will be better able to maintain cruising speeds at part throttle, with reserve power available to reduce downshifting. Part-throttle operation means longer engine life, lower running costs.

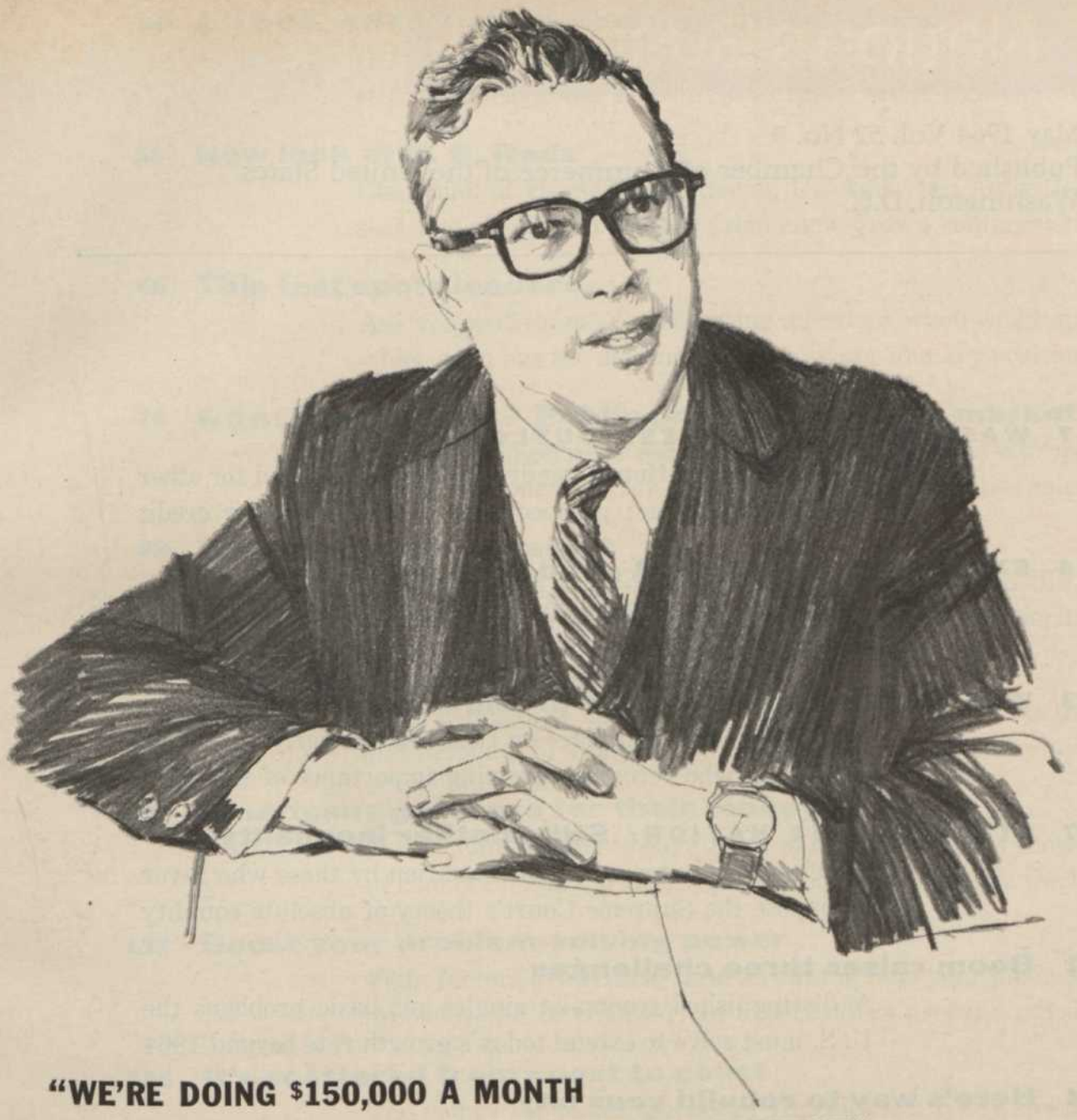
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Altogether, Ford's new 330-, 361-, and 391-cubic inch V-8's offer a unique combination of power, economy and long life. Ask your Ford Dealer!

FORD TRUCKS

For Outstanding Reliability & Durability

PRODUCTS OF Ford MOTOR COMPANY



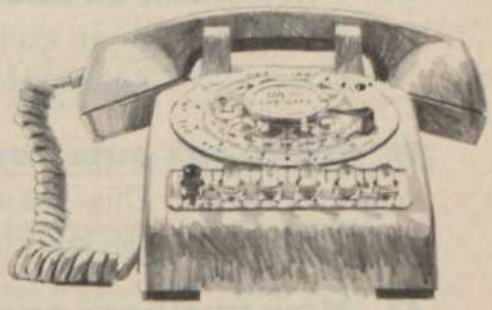
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Talk things over, get things done... by Long Distance!

Nation's Business

May 1964 Vol. 52 No. 5
Published by the Chamber of Commerce of the United States
Washington, D.C.

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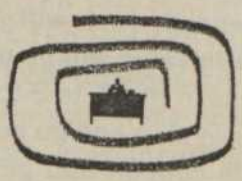
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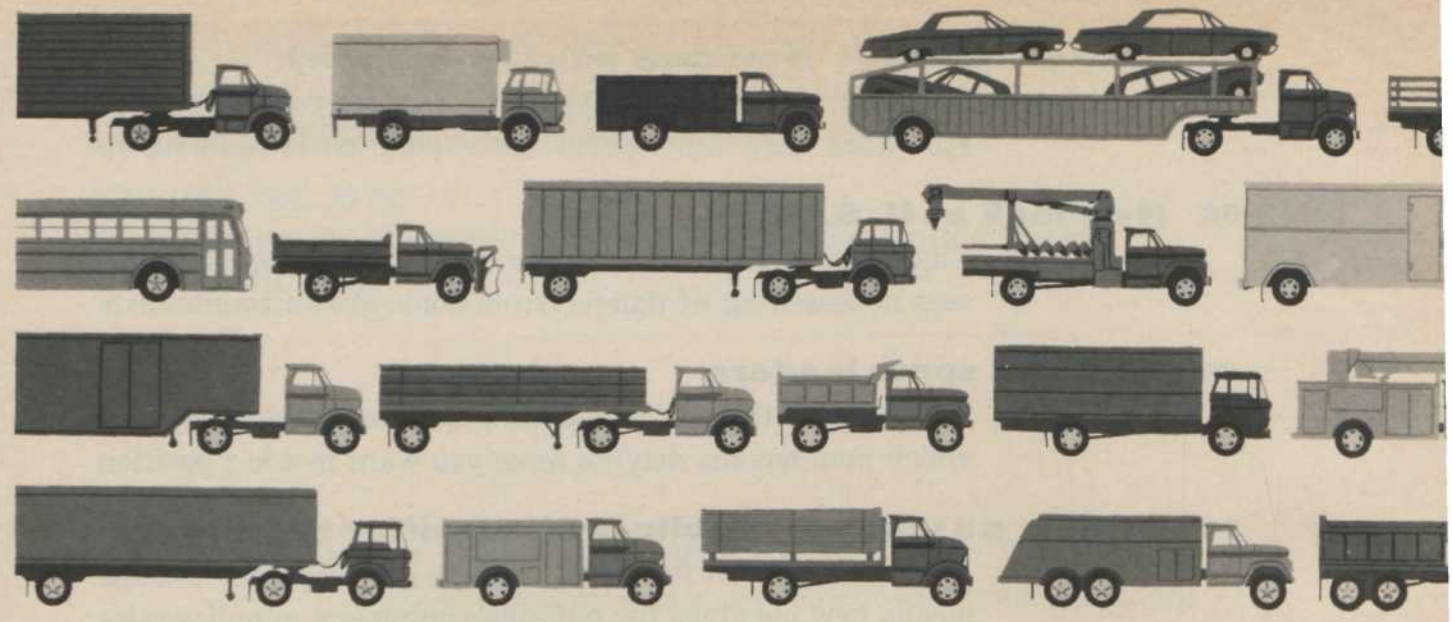
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They asked: "Why can't I enjoy diesel savings, too?"

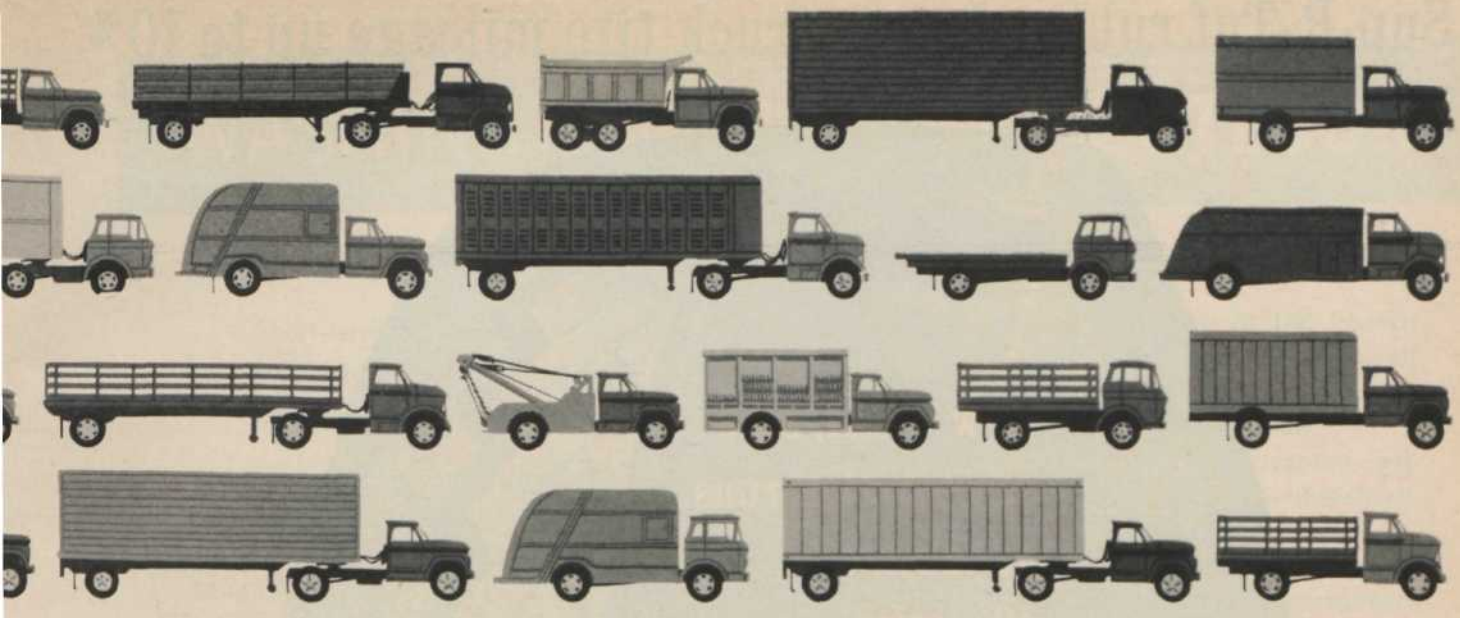
GMC Truck answered: "Now you can, with our New Toro-Flow diesel engine."

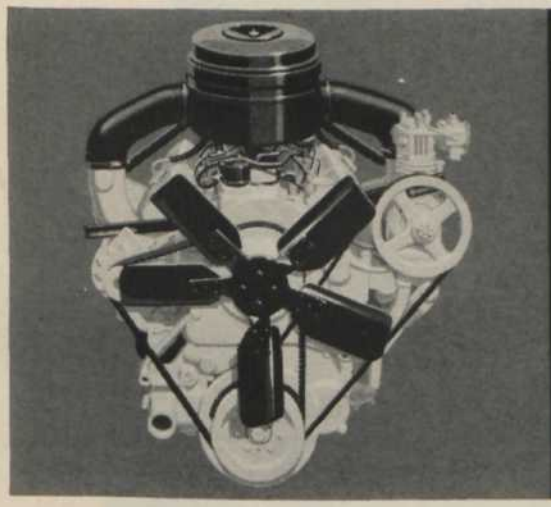
The built-in economies of diesel power cut trucking costs. Heavy-tonnage truck operators have been proving it for years. But, up to now, most medium-tonnage truck operators were excluded from these big savings for two reasons: (1) The power characteristics of available diesel engines did not fully meet the performance requirements of trucks in the 2- to 3-ton range; or (2), operators felt that their annual mileage was insufficient to warrant paying the higher initial cost of diesel.

No more, though. The GMC Toro-Flow is here. The power is right, the price is right for both the low- and the high-mileage medium-tonnage truck operator. Now, they can enjoy every cost-cutting benefit of diesel economy.

Here's what this means: Medium-tonnage trucks will get more miles per gallon; they'll use less fuel while idling; their maintenance costs will go down; and their resale or trade-in value will go up.

So, if you operate trucks in the 2- to 3-ton range on short or long hauls, or in stop-and-go deliveries, it will pay you to clip the coupon and get all the Toro-Flow facts. You'll receive a 16-page booklet which explains in easy-to-read language how Toro-





GMC

GENERAL MOTORS CORPORATION

TRUCKS

FROM ½ TO 60 TONS

Flow-powered trucks can reduce hauling costs.

GMC Truck offers the widest selection of medium-tonnage diesel-powered trucks in the industry. There are single- and tandem-axle full conventional, single-axle short conventional, and steel tilt cab models. The Toro-Flow engine is available with two ratings—150 and 170 horsepower.

Toro-Flow provides an excellent opportunity for you to do something now about rising transportation costs. At your convenience, a GMC Truck man is ready to show you how Toro-Flow can cut costs. Why not call him today?

Write: Dept. NB-3, GMC Truck & Coach Division
660 South Blvd. East, Pontiac 11, Michigan

Gentlemen: Please send me a copy of the booklet, "A NEW ROUTE TO MEDIUM-TONNAGE TRUCK SAVINGS."

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Sup-R-Tuf rubber boosts truck tire mileage up to 10%



Now, Firestone TRANSPORT-100* tires give you up to 10% more mileage, thanks to *Sup-R-Tuf**, Firestone's new miracle rubber that gives you extra mileage—built in!

Firestone's 100-level TRANSPORT-100 runs as much as 40° cooler than tires without tread/base construction. A new rubber compound between tread and cord body protects plies from the deteriorating effects of heat build-up. You get extra blowout protection; more and better recaps as well.

Over 1,000 deeper traction elements give the TRANSPORT-100 up to 28% more traction than competitive 100-level tires when new . . . up to 47% more traction half worn.

For more details, see the tire experts at your nearby Firestone Dealer or Store. Remember, you know what you're getting when you buy Firestone—Your Symbol of Quality and Service. *Firestone T.M.'s

MEMBER ATA AMERICAN TRUCKING ASSOCIATION

Firestone **TRANSPORT-100**

ALWAYS SPECIFY FIRESTONE TIRES ON NEW TRUCKS AND TRAILERS

WASHINGTON **BUSINESS OUTLOOK**

Short-term outlook:
Medium-term outlook: } **Good.**
Long-term outlook:

Business will go on expanding all through foreseeable future.

That's educated estimate based on broad-gauge analysis.

Business will move ahead faster some years than others—such as now, big rise gaining momentum for remaining months this year and probably next year as well.

Problems ahead? Yes.

Inflation threat, for example.

If inflation forces aren't held in check, bust follows, economists warn.

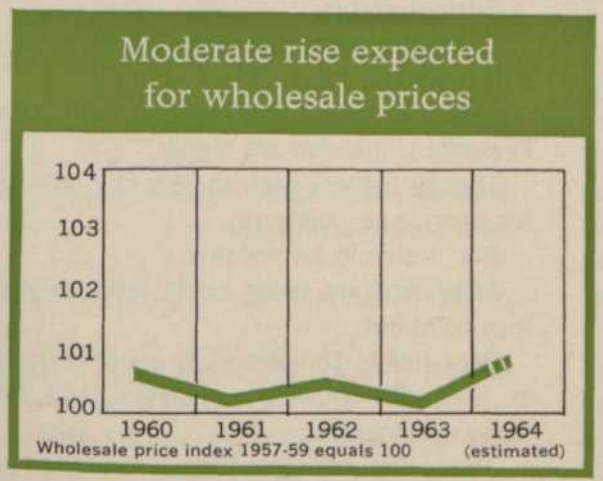
So that's one headache—whether wage-cost push and other inflation pressures building up now may become next year's top problem and dim hopes for other years that follow.

Most economists are watching with crossed fingers but think it can be avoided.

On the whole, America's business future never looked brighter.

Some prices will go up—others are headed down.

Balance: Moderately up on average.



John D. Biggers, chairman of the finance committee of Libbey-Owens-Ford Glass Co., of Toledo, tells Nation's Business:

"Prices generally have been too low.

"Moderate and justifiable advances will benefit poorly rewarded risk-takers—the shareholders—and labor, by permitting wage increases.

"At the same time, income of consumers should be increasing so they will not be hurt if price advances turn out to be moderate and justifiable."

What about costs in months ahead?

Mr. Biggers says: "Government, labor and management must cooperate intelligently if we are to avoid cost and price advances which will shut us out of foreign markets and make our own products vulnerable to low-cost foreign competition."

He's optimistic.

Production spurt ahead? Looks that way to Washington forecasters studying near-term prospects.

Despite important gains in total business activity since last summer, industrial output (as measured by monthly Federal Reserve production index) hasn't gone up much.

Now it's about to start moving again.

Here's way to gauge what's to happen:

In seven months the production index has risen one point.

Now, for seven months ahead, it's expected to go up at least three points.

Importance to you as businessman in any line?

It's one of the key measures that tell how business is doing generally.

Such gain means billions of dollars of new business.

Most industry groups will be putting more people on payrolls.

Employment generally will be rising and un-

employment is expected to be lower by next fall in most parts of the country.

Auto strike? It's a coin's toss.

Union leaders talk tough, press hard for big pay boosts, fringe benefits, more job security.

Auto management will fight just as hard to avoid inflationary settlement.

Economists pressed to guess think new contracts can be signed before Labor Day—but it won't be easy.

Other contracts bear watching as well.

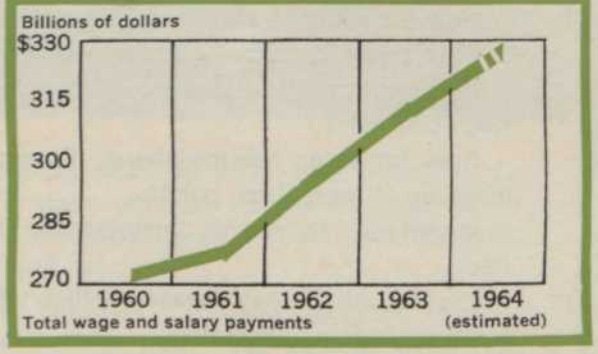
Major meatpacking agreements terminate in August, same as autos.

Expiring in September are union contracts with fabricated metals and machinery industries. Longshoring comes up same month.

Altogether, Labor Department says at least 119 agreements come due this year for major bargaining units of 5,000 workers or more. Nearly two million workers involved.

Another 116 such contracts come due next year.

Sure increase ahead for wages and salaries



Factory pay exceeds $2.50 an hour—moving steadily up.

It's sure to reach $2.60 an hour before this year is over.

This is average. Some industries pay much more.

What's ahead:

Weekly pay for production workers averaged more than $100 for almost half the year just past.

This year it'll beat that for whole year.

Personal income is moving in same general direction—steadily upward.

Income of professional men, proprietors of businesses, total income from rent, dividends, interest—all are rising.

Only farm income is projected lower by specialists.

On the whole, total personal income will move up substantially from past year's record level.

You can safely guess that Americans will have at least $35 billion more to spend and save this year.

This is basic to assumption that business will continue improving throughout the year.

Consumer credit will go up. Expectation is based on expanding business volume of months ahead.

Growing use of credit for personal convenience is another factor.

Current status:

Consumer credit now adds up to more than $70 billion.

Much of recent rise reflects auto buying. Personal loans also are higher.

Though highest ever, there's still little cause for worry, specialists say.

But it should be watched.

Americans are using credit more than ever, they point out.

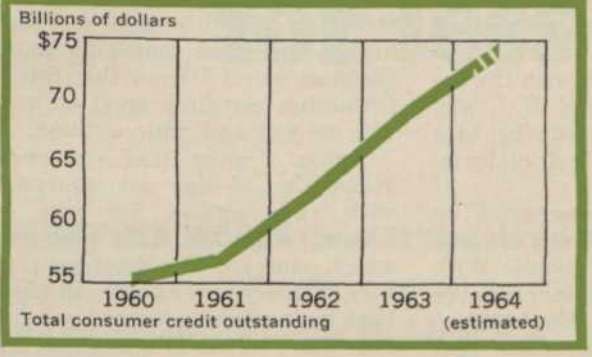
Debt rise is considered by economists to be in line with growing population and higher personal incomes.

Ability and willingness to pay is key to sound-

ness of debt. Economists believe both are favorable factors.

No abrupt change in current pattern is anticipated, though rise this year may not equal record rise of past year.

Steady rise continues in credit buying



Government spending reductions aren't panning out.

At least not yet.

Latest information shows expenditures running on average about $500 million per month higher than year ago.

Federal handouts to state and local governments keep rising.

Same's true for interest payments on big federal debt. Debt total is sure to rise.

Federal buying of goods and services was never higher in peacetime. Further rise is indicated for next year.

Space programs, which cost taxpayers $2.6 billion in '63, will cost an estimated $5 billion in fiscal year ahead.

Defense spending is one item scheduled to go down.

But that's still in the future and only a small reduction is promised.

As of now, defense expenditures are still headed up.

Teen-age unemployment may not rise as much this summer as in recent years.

This is new estimate of annual problem.

Usually about 2.5 million youngsters out of school go looking for jobs. About half get work and half don't.

But trend isn't the same everywhere. More companies are putting young people on summer payrolls, many areas making big strides toward solving this employment problem.

Many youngsters will stay in summer school, keep on with education plans.

For country as a whole this adds up to improved prospects for youngsters. And this indicates jobless number will go up less than average this summer.

But what about next year—'65?

A year from now there'll be big jump in number of youngsters getting out of school—estimated a million more than total for this year.

And that's sure to result during summer '65 in biggest jump of all time in teen-age unemployment.

Nation's Business spotlights major trends:

Profits—More improvement ahead in total dollar earnings. Margin as per cent of sales will go slightly higher this year over past.

Investment—Many companies schedule larger spending for plant modernization and enlargement. All-industry average will be up 10 per cent from past year.

Taxes—Largest total ever collected will flow into tax bins this year despite big federal income tax reduction. Business and income growth assure this. Tax rates in several states and many localities also will be higher.

Construction—As building season moves into high gear U. S. seems sure to get at least 1.7 million new homes this year. Building for industrial and commercial purposes promises to rise substantially from past year.

(Advertisement)

The Amazing Potentialities of Memory

I LITTLE thought when I arrived at my friend Borg's house that I was about to see something truly extraordinary, and to increase my mental powers tenfold.

He had asked me to come to Stockholm to lecture to the Swedes about Lister and other British scientists. On the evening of my arrival, after the champagne, our conversation turned naturally to the problems of public speaking and to the great labour imposed on us lecturers by the need to be word perfect in our lectures.

Borg then told me that his power of memory would probably amaze me—and I had known him, while we were studying law together in Paris, to have the most deplorable memory!

So he went to the end of the dining room and asked me to write down a hundred three-figure numbers, calling each one out in a clear voice. When I had filled the edge of an old newspaper with figures, *Borg repeated them to me in the order in which I had written them down and then in reverse order, that is beginning with the last number. He also allowed me to ask him the relative position of different numbers: for example, which was the 24th, the 72nd, and the 38th, and I noticed that he replied to all of my questions at once and without effort, as if the figures which I had written on the paper had been also written in his brain.*

I was dumbfounded by such a feat and sought in vain for the trick which enabled him to achieve it. My friend then said: "The thing you have just seen and which seems so remarkable is, in fact, quite simple; everybody has a memory good enough to do the same, but few indeed can use this wonderful faculty."

He then revealed to me how I could achieve a similar feat of memory, and I at once mastered the secret—without mistakes and without effort—as you too will master it tomorrow.

But I did not stop at these amusing experiments. I applied the principles I had learned in my daily work. I could now remember, with unbelievable facility, the lectures I heard and those which I gave myself, the names of people I met—even if it was only once—as well as their addresses, and a thousand other details which were most useful to me. *Finally, I discovered after a while that not only had my memory improved, but that I had also acquired greater powers of concentration; a surer judgment—which is by no means surprising since the keenness of our intellect is primarily dependent on the number and variety of the things we remember.*

If you would like to share this experience and to possess those mental powers which are still our best chance of success in life, ask R. B. Borg to send you his interesting booklet *The Eternal Laws of Success*—he will send it free to anyone who wants to improve his memory. *Write now—while copies of this booklet are still available.* Postage is 7¢ for a postcard, surface mail, to Ireland. Here is the address: *R. B. Borg, c/o Aubanel Publishers, 14 Highfield Road, Dublin 6, Ireland.*

L. CONWAY.

Business opinion:

Students will learn more about Reds

I AM IN THE PROCESS of completing the editing of a book of readings on communism designed especially for use by high school students.

The idea of the book of readings is to give the high school student and teacher an authoritative, balanced, unemotional picture of the problem from the perspective of some 50 authorities.

I have been in touch with the assistant director of the F. B. I. who has informally approved the idea and has furnished F. B. I. material to be incorporated.

One of the items suggested by Assistant Director Sullivan was "Why Reds Make Friends With Businessmen," by J. Edgar Hoover [NATION'S BUSINESS, May 1962].

I would greatly appreciate permission to include this in the forthcoming volume.

RODGER SWEARINGEN
Director
Research Institute on Communist Strategy and Propaganda
University of Southern California
Los Angeles, Calif.

Translation necessary

Periodically we send copies of reprints of articles in NATION'S BUSINESS to management personnel of our affiliated companies in foreign countries.

Recently we received requests from a few of our affiliates to reproduce a particular reprint for distribution to some of their management and supervisory personnel. In most cases this would involve translating the article into a foreign language.

Can such permission be granted?

P. M. GUBA
Manager
Training Department
California Texas Oil Corp.
New York, N. Y.

►*Yes.*

Facts from government

A fellow administrator gave me a photocopy of "School Gains Prove No Aid Needed" [February].

In many respects I found it commendable. I am not certain that all of the conclusions are valid, but I know that many of them are. On the other hand I could not disprove any of them for the source of the statistics indicated and the facts quoted are not noted.

It would be greatly appreciated if you would advise me as to the basic resources used in the construction of this article. As a highly respected magazine in the business world I know that this information certainly must be available to you and your authors.

Again, I know that you understand that I am not quarreling with your article, for who can quarrel with the final paragraph which states, "The employees you hire in the years ahead will be the best trained and educated you have ever seen." This is true regardless of federal aid or not.

WILLIAM D. POLHEMUS
Principal
Midland Park Junior-Senior High School
Midland Park, N. J.

►*The article was based on data from the U. S. Office of Education.*

Civil servants trained

We conduct for federal Civil Service employees of this installation a workshop designed to provide an opportunity to:

Assess his place in the organization structure by examining his managerial role;

Explore modern management theories, concepts, and practices;

Broaden his interest and extend the habit of inquiry and reflection;

Lay the groundwork for a sustained program of self-development.

In line with the last objective, we propose to provide post-graduate stimulations to the alumni through distribution of monthly readings, periodic refresher conferences and work groups. We want to include "Make Yourself a Better Manager" from your February issue.

R. M. KEANE
Industrial Relations Officer
Defense Construction Supply Center
Columbus, Ohio

Now you can get a real truck tire– a new, Hi-Miler R-C with Tufsyn and 3-T Nylon for less than $15

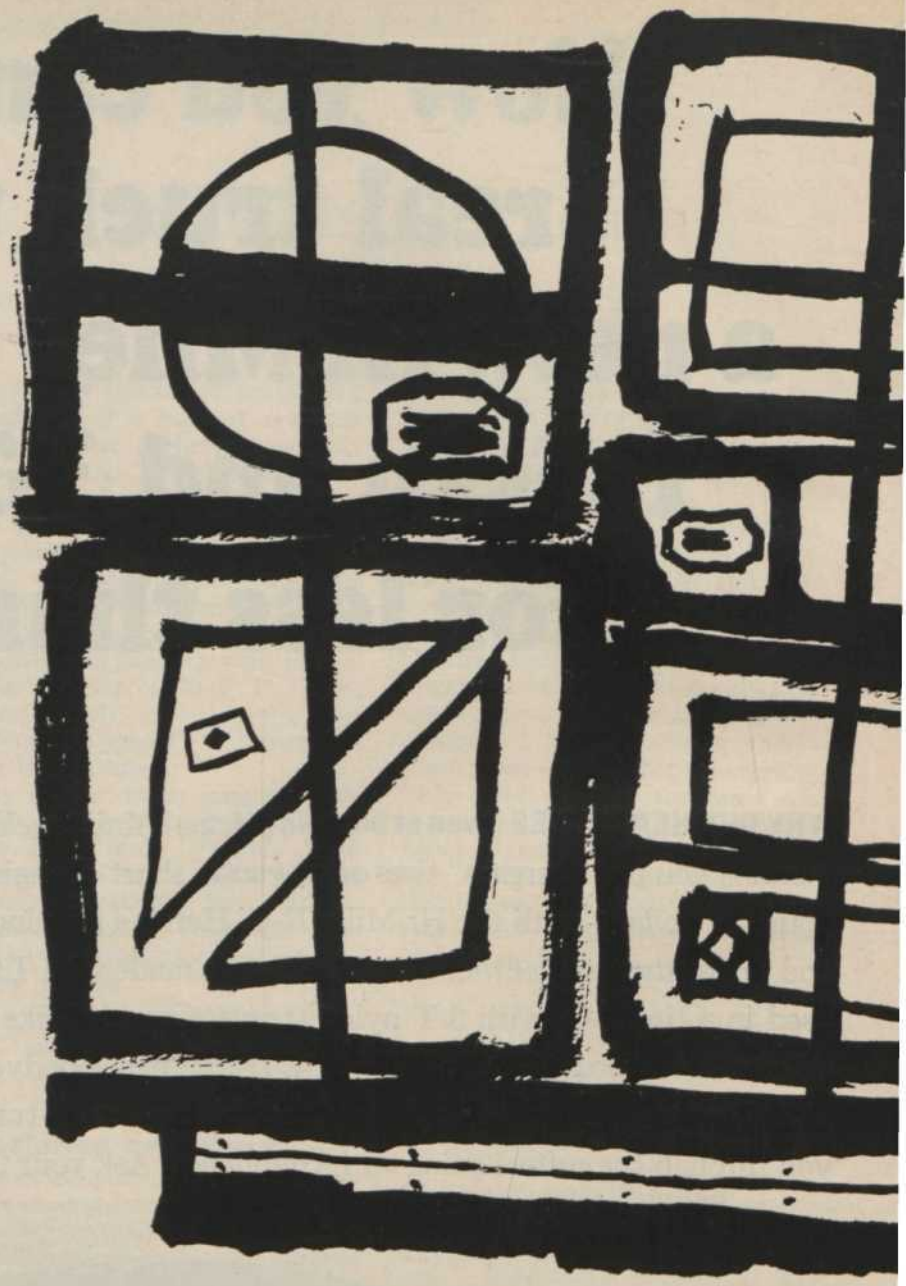
(Size 6:00-16 tube-type. Plus tax and recappable tire. Other sizes comparably low-priced.)

WHY BUY HEADACHES (even at bargain prices)? Your truck is built for hard labor and punishment. If you put "bargain" tires on it, you're short-changing yourself. Get real mileage out of your tire dollars—with the Hi-Miler R-C. Here's a genuine *truck* tire with a six-ply rating . . . and prices start at *less than* $15. The R-C is made with Tufsyn—the toughest rubber we ever used in a tire. And with 3-T nylon—triple-tempered like steel for strength and durability. Why settle for less? Get Hi-Miler R-C truck tires! Goodyear, Akron, Ohio 44316.

P. S. For very little more, you can get the new extra-traction Sure-Grip truck tire to take you through the softest going with confidence. Ask your Goodyear dealer.



Tufsyn, Sure-Grip, Hi-Miler–T.M.'s The Goodyear Tire & Rubber Company, Akron, Ohio



R·E·A AND ONLY R·E·A OFFERS FLAT CHARGES ON PALLET SHIPMENTS TO 380 CITIES. ANY COMMODITY. ANY MIX. ANY WEIGHT UP TO 4,000 POUNDS.

If it costs REA less to carry palletized shipments, shouldn't it be cheaper for the shipper?

REA passes the savings back to you. The special flat REA pallet and skid charges apply to all classes of express traffic in any mix. And they



are now in effect between 380 points nationwide.

There's less paper work, less risk of loss or damage, lower shipping costs. And that goes for any pallet load you choose up to 4,000 lbs.

Charges are based on the size of the pallet and, as an example, 600 lbs. moves 300 miles for only $9.00—or just $1.50 per cwt. In addition, the charges decrease as distance increases. The same 600 lb. shipment moves 2,400 miles for $27.00—only $4.50 per cwt. Eight times as far for only three times the cost!

Remember too, only REA offers nationwide service, one-carrier responsibility, pickup and delivery anywhere. For specific rate information by weight and destination, write: E. Boykin Hartley, Vice President Sales, REA Express, 219 East 42nd St., N. Y. 17, N. Y.

REA EXPRESS

REA Express is the new name for Railway Express Agency

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Return this coupon for full description of Best Buy quality standards and a current list of available used trucks.

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Dept. H. J. 1040 S. 25th Ave., Bellwood Ill.

NAME_____

COMPANY_____

STREET_____

CITY_____ STATE_____

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Your Best Buy used lift trucks are at your Hyster Dealer– Here's Why:

1. Every HYSTER dealer has a reputation to protect, so he is going to be sure you're satisfied when you buy a used truck.
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3. You can choose from three quality standards: HY-QUALITY (top of the line), CERTIFIED VALUE (thoroughly checked, then repaired), and GOOD RUNNER.
4. Flexible terms make it easy to rent, lease or buy.

HYSTER

HYSTER COMPANY
INDUSTRIAL TRUCK DIVISION

Executive Trends

- **A good time to hire**
- **Three steps to improved writing**
- **Firms seek better image abroad**

Demand for executives is rising with the curve of general business activity.

Professional recruiters report that orders for managers are running ahead of this time last year.

Senior men—presidents, executive vice presidents—seem to be in particularly short supply. In many instances these executives are in the $50,000-and-up category.

New York recruiter Frank Canny says there's high demand, too, for men with marketing moxie—especially for assignments with foreign firms. The only drawback, Mr. Canny says, is that it is about 10 times as difficult to place a marketing executive with a foreign firm as it is to make a comparable placement here. Reason: The foreigners are picky, insist that the man measure up to their rather stringent personality requirements.

"There is definitely no room overseas for what have come to be called ugly Americans," Mr. Canny adds. "The foreign companies want a go-getter, but they want Americans with an almost diplomatic flair, a knowledge of and respect for their local culture and so on."

• • •

Prescription to follow in a boom year: It's a good time to hire new managers, and a good time to weed out ineffective ones.

Gardner Heidrick, a professional recruiter operating out of Chicago, points out that buoyant business conditions afford many companies an excellent opportunity to take an unhurried look at executive inventory.

"Pinpoint your weak men," Mr. Heidrick advises. "Weak men sometimes tend to be glossed over in good times; but smart companies are bolstering their weak spots now, instead of waiting for the next downturn. Don't put off hiring good people. Many companies will hang on to a weak man even though they know he is weak. In a boom you can discharge less capable people at a time when their chances of getting another job are optimum."

Mr. Heidrick recommends that companies look some five years ahead in considering their managerial manpower needs, determine when key men will retire (and prepare to replace them) and phase out the placement of managers to avoid clustering executives of about the same age.

• • •

Your business writing can take on new power if you keep three common pitfalls in mind:

1 Losing track of your reader.

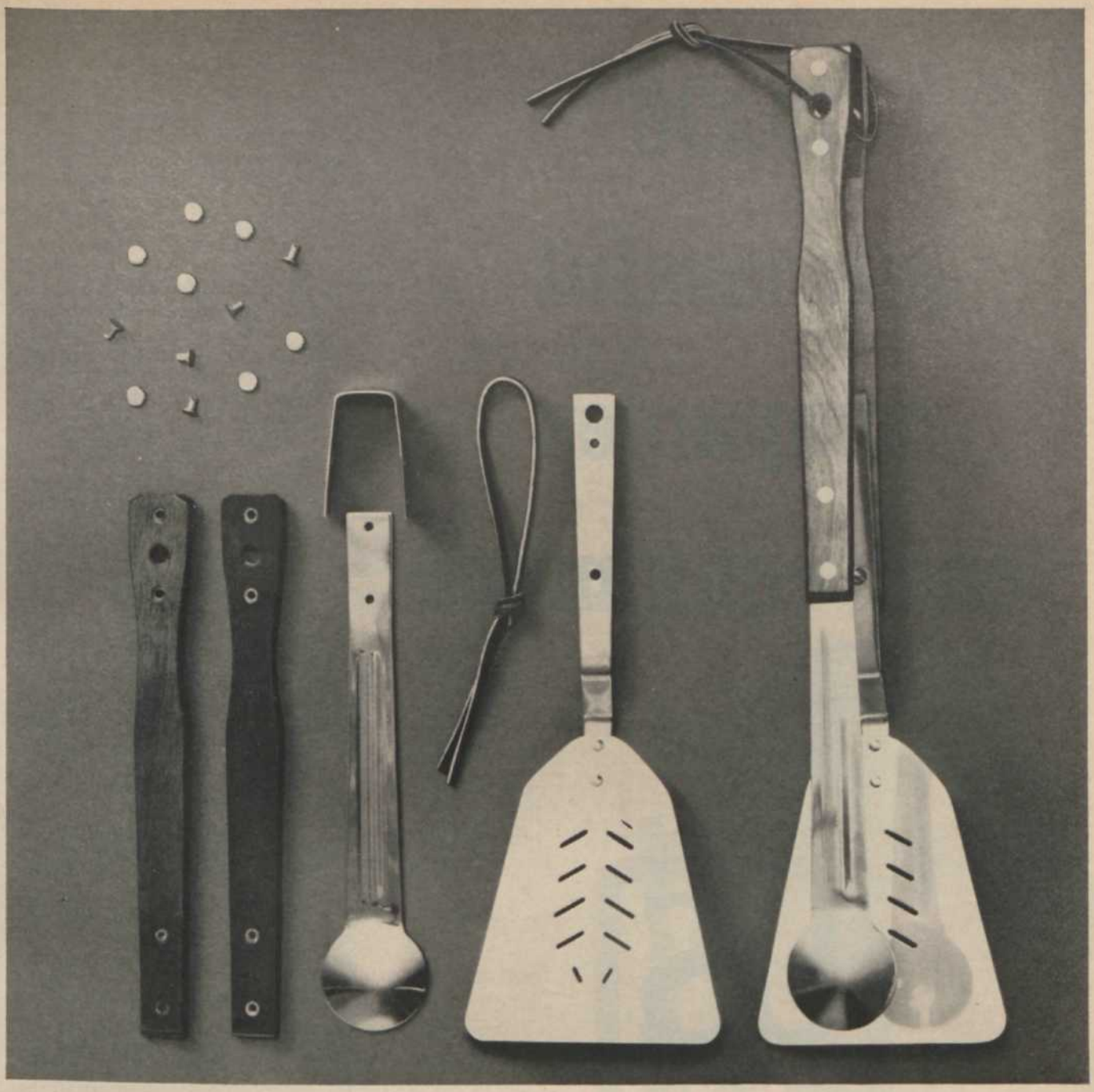
2 Letting words trip up the sense of your message.

3 Underestimating the taste level of your audience.

So says Mrs. Mary C. Bromage, assistant professor of written communication at the University of Michigan's Graduate School of Business Administration. Mrs. Bromage is a communications consultant to corporations and the author of a recently published book on business writing.

She tells NATION'S BUSINESS:

"Keeping track of the reader comes from seeing him in the



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EXECUTIVE TRENDS

continued

mind's eye, anticipating his reactions, answering unasked questions, spelling out at beginning and end the subject, the reasons and the results. In a word, organization.

"On the question of words tripping up the sense of communication: Remember that you should be using words to communicate instead of to confuse. Henry James is for the easy chair, not the swivel chair. To tie up action with the doer of the action, or the modifier with that which it modifies depends in part upon an instinct for structural relationships. Sentences with missing or misplaced parts reveal loose thinking and enrage a reader who, in good faith, wants to follow.

"Meeting the present level of taste merely means keeping up with the times. More and more people are going to college, living in a metropolitan climate, traveling abroad. Baby-talk words, condescending tone, simple-minded plays for attention are not calculated to lead to profit or good will. Grandparental phraseology inherited from office files does not fit today's business."

• • •

If your company has an operations overseas, or is contemplating one, you'll be interested to know that:

The Council of American Chambers of Commerce in Europe soon may launch a study of ways American businesses abroad can improve the climate in which they operate.

The Council (it has members in six Western European countries) is concerned about a number of things, including actions of our own government which sometimes hurt the American business image in the eyes of Europeans. The Council also wants to pin down the extent to which discriminatory practices by foreign governments inhibit U. S. corporate investment and activity. Still another aim of the study would be to determine mistakes American companies are making now that can be avoided in the future.

• • •

Thinking about the unexpected can help you hone your ability as a planner and decision-maker to a finer edge.

Peter Drucker, consultant and writer, makes this point when he suggests that productive results flow from consciously training yourself

(continued on page 21)

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Robert Moses at the Fair—Photo by Charles Van Maanen

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to be more perceptive by adopting a different perception or perspective.

A good question to ask oneself, Mr. Drucker says, is, "If all the things I assume to be true were not, then what would the conclusions be?"

Forced thinking about the unplanned can enable an executive to make decisions against a background of more awareness of the possible consequences, good or bad, of his moves.

• • •

You can add dollar value to your skills if you faithfully pursue a plan for self-development.

Business educators consulted by NATION'S BUSINESS recommend a variety of steps for improving managerial know-how.

Example: Dean Karl A. Hill of the Amos Tuck School of Business Administration, Dartmouth College, says it's important for an executive to develop a capacity to learn from other people, from experience and from books and other printed media.

"The best way to accomplish this," he says, "is to follow a planned reading program, to seek out stimulating associates within your own field and to accept responsibility. For specialized techniques, short courses may be helpful. For men without a graduate school of business background, one of the major university executive development programs would be a must."

Other deans, including Harvard's George P. Baker, place heavy emphasis on the importance of reading.

"In keeping abreast of new knowledge," he says, "there is no substitute for efficient reading. The first thing the business leader can and should do is to construct for himself a list of carefully selected publications, screen these selectively, then probe more deeply into developments that have particular meaning for his company."

• • •

Your paperwork burden is likely to be even greater 10 years from now than it is today.

That rather unhappy prediction comes from Emmett Leahy, president of a New York firm which sorts, stores and destroys the rec-

(continued on page 64)



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Vice presidency becoming more attractive goal

BY PETER LISAGOR

IN THE NOT DISTANT PAST, ambitious politicians avoided the vice presidency as if it were a boneyard for faceless men, or worse. A deathless line from the satirical musical comedy, "Of Thee I Sing," summed up the general disrepute in which the office was held: The unprepossessing Throttlebottom, pressed to accept the vice presidential spot by the political bosses, asked plaintively, "What if my mother were to find out?"

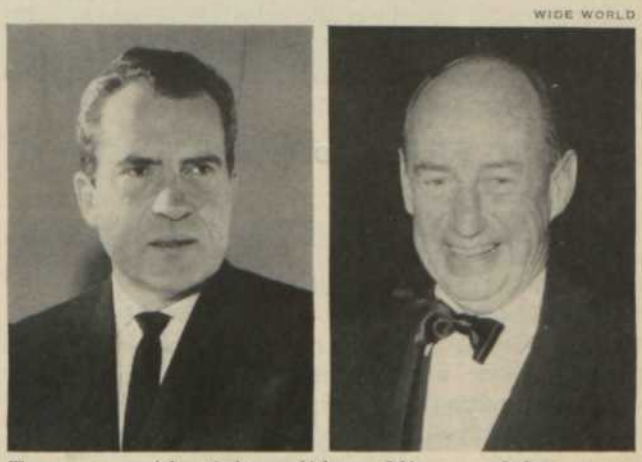
Times have changed, and that old shibboleth of American politics, that men don't run for the vice presidential nomination, has vanished. With the national conventions a few weeks away, second-place fever has actively gripped a number of prominent Democrats, who are only partly motivated by the knowledge that the top spot is spoken for, or shortly will be, by President Johnson.

This emotional excitement about the consolation prize is considerably less rampant among Republicans, naturally, for it would be both impolitic and imprudent for a man to declare himself a candidate for the No. 2 post when lightning has yet to strike the presidential nominee. And yet, Richard M. Nixon, a former vice president who was nominated for the presidency in 1960, has said that he would accept second place for this year's contest. So, on the Democratic side, has Adlai Stevenson, the 1952 and 1956 presidential candidate—a clear and dramatic indication of the value now being placed on the vice presidency.

It is not hard to find the reasons why convention delegates will probably pay more attention to the choice of a vice presidential nominee than at any time since Franklin D. Roosevelt was nominated for a fourth term in 1944, prompting serious observers to wonder if health might not prove to be a grim arbiter of his successor. Their fears were borne out, and that Sen. Harry S. Truman of Missouri was the vice presidential nominee, instead of Henry A. Wallace or Supreme Court Justice William O. Douglas, seems, in retrospect, to have been as much a product of FDR's whim as of deliberate consideration and judgment by the convention.

With the assassination of John F. Kennedy, the nation was reminded with shocking force that man's fate can be governed by a very cruel caprice. More than that, the tragedy reinforced the growing doubt that the old standards of judgment in choosing a running mate—geographic balance, philosophic harmony, good looks, few enemies, and the like—are good enough in a restless, complex, push-button environment in which the fortunes of mankind can be decided in a space of minutes. No longer is a whimsical choice tolerable. And nobody is more mindful of that fact than Lyndon B. Johnson, a grim witness to what is required of a man in that abrupt and awesome transition period.

WIDE WORLD



Former presidential candidates Nixon and Stevenson both say they would take second place on ticket now

It should be noted here that Mr. Kennedy selected Senator Johnson as his running mate in 1960, not so much in the quest for the second best possible man as for the traditional reasons. The Texas senator offered that coveted balance—he was a Protestant, a man with appeal to both the South and West, and thus a complement to the Boston Irish Catholic. It is true that Mr. Kennedy once was quoted as saying that he thought himself as well qualified to be Presi-

Peter Lisagor is White House correspondent for the Chicago Daily News.

dent as any other man "except probably Lyndon," but this writer can attest to the fact that Mr. Johnson's potential as a President was of secondary concern at the Los Angeles convention.

We have a vivid memory of flying back from the Democratic convention to Hyannisport, Mass., with the presidential nominee, and by sheer happenstance sitting in the seat behind the candidate. We suggested at one point that Mr. Johnson's choice may have been a cynical one in view of the tough and often hostile battle between the two rivals at the convention, but that it was nonetheless formidable. Mr. Kennedy was almost furious at our use of the word, cynical. He said that Democrats always managed to compose their differences, that there were precedents for his action in Al Smith's choice of Arkansas' Joe Robinson in 1928 and Roosevelt's running with John Nance Garner in 1932. And besides, the nominee said with firmness, "We want to win, and Lyndon will help us in the South."

The President's health is always a matter of some delicacy to a vice president, but the job of chief executive has become too important, too crucial in the affairs of the nation and world to ignore it. Mr. Johnson's physical condition would seem to be excellent. He often swims five laps of the White House pool during his daily dips, and he goes at a tireless, driving pace in his oval office. Yet, though he has shown all the strength and stamina of a cross-country runner since assuming the presidency, he was once a heart patient. He has fully recovered but there is legitimate concern about the schedule he keeps with such furious energy, and his past medical history inevitably becomes a somewhat special factor in the selection of a running mate.

• • •

How a man runs for the vice presidential nomination, under today's circumstances, is an interesting, and sometimes quite subtle, exercise. He must move and maneuver with maximum discretion, speaking in the right places (party rallies, political dinners) only about his current work and saying as little as possible about his availability except when asked and then limiting his response to a bland statement that he's flattered that anyone would think of him for so exalted a station but that the choice is President Johnson's alone to make.

Sen. Hubert Humphrey of Minnesota, the assistant majority leader in the upper house and a hot aspirant for the post, says it this way: "I'm not running for anything. My only concern at the moment is being the very best majority whip possible, and letting the future take care of itself." Translated by knowledgeable political types, this means: "Of course, I'm interested, and when the call comes—as I hope and trust it will—I'll be there with my track shoes laced." Besides Adlai Stevenson, other men who have indicated in one way or the other that they would not run away from the nomination include the other Minnesota Senator, Eugene McCarthy, Sen. Edmund Muskie of Maine, Gov. Edmund (Pat) Brown of California, and Sargent Shriver, the Kennedy brother-in-law and antipoverty field general, to mention a few. All except Mr. Stevenson happen to be Catholics. And all have been remarkably discreet.

This discretion is well advised. President Johnson clearly indicated weeks ago that he would resent any pressures upon him to favor one man over another too far in advance of the August convention. It's entirely possible he will wait till the last moment so as to keep the fealty of all hands right down to the wire

The reported difficulties between the President and Attorney General Robert F. Kennedy earlier this year could be traced as much as anything else to a White House suspicion that Mr. Kennedy's friends would have liked to foreclose the choice in behalf of their man.

The submerged contest for the vice presidential nod is indeed a far cry from the days when Throttlebottom made his classic complaint. An anthology of jests could be compiled about the office. Mister Dooley, Peter Finley Dunne's acidulous barkeep, once observed, "Th' prisidincy is th' highest office in th' gift iv th' people. Th' vice-prisidincy is th' next highest an' th' lowest. It isn't a crime exactly. Ye can't be sint to jail f'r it, but it's a kind iv disgrace. It's like writin' anonymous letters." Mister Dooley also took note of the frivolous legend that a vice president lives on the hope that no man is immortal. "Some vice-prisidints," he remarked, "have been so anxious f'r th' prisidint's safety that they've had to be warned off th' White House grounds."

• • •

Richard M. Nixon, vice president for eight years under Dwight D. Eisenhower, set a precedent for making the job vital and viable by working at it with great energy and zeal at Ike's direction. Yet Mr. Nixon has described the office as "a hollow shell —the most ill-conceived, poorly defined position in the American political system." America's first vice president John Adams called it "the most insignificant office that ever the invention of man contrived or his imagination conceived."

The Constitution gave the office short shrift, and the new concepts of the job have been imposed by recent Presidents with a new understanding of the almost intolerable burdens of leadership in the world. Mr. Nixon, more than any previous vice president, was assigned a variety of tasks, overseas and at home. He attended Cabinet and National Security Council meetings and received top intelligence information. He once estimated that 95 per cent of his time was spent on Executive Branch affairs. Mr. Johnson was equally privy to the inner workings of the Executive Branch under President Kennedy, and equally well informed. But while both men knew something about the processes of decision-making, neither could share in that last lonely and peculiarly personal agony, the decision itself. It was nevertheless important, as the Johnson transition showed, that the vice president in this nuclear world should be as fully prepared for the responsibility as humanly possible.



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It's timely to consider still another inequality

BY FELIX MORLEY

ADVENT of daylight saving time draws attention to an area of discrimination which has so far escaped the Supreme Court's endeavor to establish absolute equality in every possible field. Not all communities have advanced their clocks an hour this Spring. But the fact that so many have just done so is evidence that government has the power to adjust time in what it conceives to be the public interest. This being so, consideration of more basic remedial action is invited.

• • •

When a businessman flies from the East to California he possesses a distinct advantage over a western colleague traveling by air in the opposite direction. The easterner can rise at a normal hour, enjoy a leisurely breakfast, phone his office and still be in Los Angeles or San Francisco in easy time for lunch. To do the same when flying from one of those cities to New York or Washington is currently impossible. If the westerner is to make a lunch date on the East coast he must rush from his patio to the airport at the crack of dawn that day.

This injustice towards our Pacific brethren will doubtless be ameliorated as jet travel improves still further. But the underlying defect will remain. There will still be discrimination against Mr. Addison Sims of Seattle. If at 3 p.m. his time he urgently needs top-level interpretation of a regulation affecting his business, his phone call will normally find the Washington agency closed for the day.

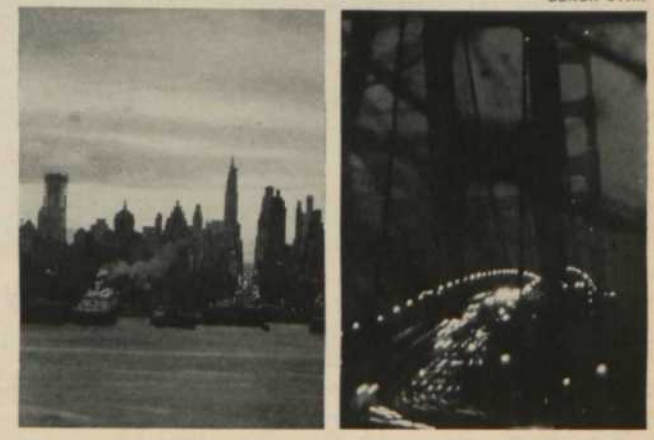
The earth, as mankind has reluctantly been forced to admit, rotates around its axis in a certain way. And as long as that continues, the time situation will be what Chief Justice Warren in another connection calls inherently unequal. With the generous interpretation now given to the Fourteenth Amendment, this is a virtual challenge to the Court to set the matter straight.

• • •

Preliminary steps have, indeed, already been taken. When the Court espoused the doctrine of "one person, one vote" it certainly suggested "one voter, one time" as a follow-up slogan. If every legislative district must have approximately the same number of people, regardless of county divisions, it would also be proper for them to vote at approximately the same hours, regardless of time divisions. In 1916, because of the discriminatory time lag, it was not known until the day after the election that Hughes had lost California to Wilson, and with it the presidency. Almost half a century later such disconcerting upsets are still possible.

Something, of course, could be accomplished by legislation, if the White House would emphasize the equalization of time as well as the equalization of wealth. The Senate, however, tends to ignore time completely and in acting with all deliberate speed both Houses habitually emphasize the adjective at the expense of the noun. Results could be more quickly attained by relying on the vast array of federal agencies which now regulate matters without prior legislation.

BLACK STAR



People of Manhattan get advantage of dawn long before darkness ends in the San Francisco area

An illustration is the Agency for International Development, which announces, in its own words, an effort to reshape the entire educational system of Nigeria. If charity begins at home it would seem

equally reasonable for the I.C.C. to reshape the time system of the United States.

But some preliminary governmental steps might be desirable, since not everyone is as yet aware of the invidious discrimination involved in the time differential. Thus the C.A.B. could conceivably decree that jets would be permissible only on flights from West to East, limiting East-West air travel to the old reliable if somewhat lumbering DC3. This would tend to neutralize the time bias. But the basic injustice, caused by the way the solar system is arranged, would still remain.

As the equal protection of the laws is now interpreted, the immunities of some are certainly abridged by time belts. Once seized of the issue the Supreme Court would almost have to decide it. Since no such suit, to the writer's knowledge, is currently pending, speculation on the probable verdict is in order.

• • •

With evidence showing that existing time differentials are inherently discriminatory, precedent would suggest their fusion in one nationwide temporal system. Standard time, naturally, would then become that of the national capital. One would scarcely expect the Establishment in Washington to subordinate its convenience to that of the grassroots.

A not unimportant advantage of this reform would be its overdue elimination of our present humiliating dependence on England for the calculation of our own American time. It certainly does not comport with a masterful image of the United States to admit that our continental times zones are centered at respectively 75, 90, 105 and 120 degrees west of Greenwich, meaning Greenwich near London and not Greenwich, Conn.

This makes the present system not merely discriminatory as among our own people, but almost anti-American.

If educational standards for Nigeria can be set by Washington, then time standards for all the Free World can also be set there. This would not imply any recognition of the time used in Red China and if De Gaulle wants to recognize that, let him do so.

Admittedly there will be a few difficulties, even within our own Union. Under the present archaic system it is said to be 7 a.m. in Honolulu when it is actually 12 noon in Washington. After Hawaiian time is adjusted to that set by the Supreme Court the sun will scarcely be over the yardarm when cocktails are served at Waikiki. But such inconveniences could be accepted as a patriotic duty. They will cause less resentment than that aroused in many State legislatures by the problem of redistricting on the mandate of a basis of complete equality for each voter.

Indeed no form of discrimination can be eliminated without a measure of discrimination in reverse. That is demonstrated, for instance, in the prayer cases.

It is apparent that the State of Maryland, as a whole, would like to retain some form of religious observance in its public schools. To this end its General Assembly has this year passed a bill permitting a period of silent meditation before classes begin, as a substitute for the now unconstitutional recitation of the Lord's Prayer.

Asked by the governor for an opinion on the legality of this measure the attorney general of Maryland says it will probably be accepted by the Supreme Court, provided the teacher, while supervising the meditation, does not hold a Bible in his or her hand. To do so, he suggests, might offend atheists by intimating that any religious faith is preferable to none at all.

To soothe any Hawaiian irritation, people there, after time is equalized, might still be allowed to call their noon meal breakfast, provided they do not have their watches set at what is now Hawaiian time during that meal. In any case problems of this nature will not need to worry the Supreme Court. It will merely prescribe the equality of time, leaving it to the localities to make the readjustments.

And if the upheaval should produce an East-West rancor, comparable to that now recreated between South and North, this too might have a backhanded political advantage.

• • •

In the pedagogy of logic there is an old device known as the reduction to absurdity.

Legend says it originated in the case of a medieval monk, who preferred counting his beads to protracted service in the monastery cowbarn to which he had been assigned. So he told the abbot that if the two prescribed hours of daily prayer were good for his soul, 12 hours of chapel devotion would presumably be that much better.

The abbot, after reflection, called this *reductio ad absurdum,* but compassionately ruled that because of the cowherd's piety he should, after his barnyard work was done, worship continuously in the chapel, for the 12 hours from 6 p.m. to 6 a.m.

Reduction of an argument to absurdity, as attempted above, has not heretofore been a common device in American discussions of vital issues.

That is because, as a practical people concerned with tangible accomplishment rather than fine-spun discourse, we have seldom permitted theories with ridiculous implications to make substantial headway. Both our system of government and our way of life depend for good health on constant check and balance. The extremist viewpoint, in any direction, has seldom received either public sympathy or official support.

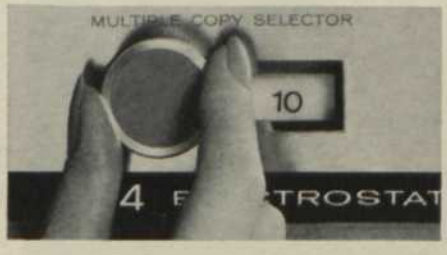
There are signs that this traditional position of the golden mean is coming to an end. Certainly it is weakened when the admirable premise that all men should be equal before the law is developed into a governmental effort to make them all equal, period.

If the impossible dogma of absolute and standardized equality should ever gain the upper hand, it could not long stay dominant. There is too much evidence that the Creator did not intend this world to be that way. Infinite variety, not deadening equality, is a law of nature which no human court can hope successfully to repudiate.



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Boom raises three challenges

Economy will continue to set new records if solutions are found for these problems

THE MAIN CHALLENGE before the United States today is to maintain our pace of economic growth. This means we must prevent an inflationary wage-price spiral which, if not stopped, would eventually cause a decline in business.

It is of the utmost importance that wage increases not exceed the rise in productivity. If this is achieved, there will be no need to increase most prices. The rise in business volume, coupled with economies in production and distribution, will lead to higher profits without an increase in prices.

The immediate outlook is favorable. Disposable personal income is rising, spending on goods and services is increasing and the consumer views the future with optimism.

Corporate profits after taxes have risen and the outlook for capital expenditures is favorable. Total government expenditures—federal, state and local—also are increasing.

The new tax law is estimated to reduce the tax liability of individuals by $8.8 billion, and that of corporations by $1.5 billion. Because 92 to 94 per cent of disposable personal income is spent by consumers, an increase in consumption spending can be expected with a fair degree of certainty.

An increase in corporate profits will stimulate capital expenditures by corporations. According to the latest report of the Department of Commerce and the Securities and Exchange Commission, capital outlays by corporations for 1964 are estimated at $43.2 billion, an increase of 10 per cent over 1963.

DR. MARCUS NADLER, *author of this article, is professor of finance in New York University's Graduate School of Business Administration. He is also a consultant to business and financial leaders.*

It is apparent that the economy in the months ahead will move to new peaks.

In that light, it is appropriate to examine the possibilities of maintaining anticipated growth and to single out the problems that lie ahead. The trend of business toward the end of this year and particularly the early part of next year will depend on how we solve them.

The most important tasks before the country are:

- ▶ To prevent inflation.
- ▶ To create job opportunities for the rapidly rising labor force and particularly for young, unskilled and displaced workers.
- ▶ To make a further improvement in the balance of payments.

Administration and Federal Reserve authorities will be obliged to prevent an inflationary spiral. In the first place, although the U. S. balance of payments has considerably improved during the past six months and more improvement is expected, an inflationary price movement would have a damaging effect on the balance of payments. It would stimulate imports and curtail exports. It could also lead to an outflow of funds to countries where inflationary pressures are kept in check. A deterioration in the balance of payments would force the Reserve authorities to adopt a policy of credit restraint.

However, experience demonstrates that a policy of credit restraint and reduced availability of bank credit in time brings a boom to an end and sets recessionary forces in motion.

There is a lag between the time that restrictive credit measures are adopted and their impact on the economy. The duration of the lag depends on the liquidity of commercial banks and other lenders.

The liquidity of commercial banks was re-

duced during 1963 since the banks sold government securities in order to acquire higher yielding assets, such as tax-exempt obligations and mortgages. A reduction in the availability of credit will not only force the member banks to borrow more from the Reserve banks, but also to sell nongovernment securities in order to meet credit requirements of their customers.

This cannot last indefinitely. Sooner or later the losses from the liquidation of securities become so great as to preclude further sales. Once this situation is reached, the banks themselves adopt a conservative credit policy and begin to ration credit. Eventually, this has a restraining effect on the accumulation of inventories and capital expenditures by corporations, and business activity in general.

Thus there is the danger that the present rather satisfactory rate of business activity may be accelerated and reach an unsustainable level, which would have to be curbed by the monetary authorities. Unless the inflationary pressures are checked promptly, there is a danger that the high level of business activity will not last long and will trigger forces which could bring about a decline in business toward the end of this year or early in 1965.

Credit and unemployment

Of the various powers at the disposal of the government to influence business activity, credit control is the simplest and quickest that can be employed.

However, under present conditions severe political pressures may prevent the monetary authorities from adopting a policy which would stem the inflationary pressures as soon as they become evident. This danger arises out of the fact that, while business activity is at a high level, unemployment is also still high.

Some congressional leaders argue that an increase in interest rates and a tightening of credit would cancel out the benefits expected from the tax cut, thus preventing the creation of more job opportunities.

Unemployment has been a problem throughout the entire period of recovery. The greatest number of unemployed, however, can be found either in distressed areas, which have suffered from the exhaustion of certain raw materials, or among the young and unskilled.

Automation also has contributed to unemployment. An increase in total demand for goods and services would assuredly create new job opportunities. However, automation will be accelerated, thus eliminating some jobs, primarily those for the unskilled.

Low money rates and a policy of credit ease will not cure unemployment among the unskilled. The solution here lies in education, retraining, and making labor more mobile. This cannot be achieved overnight.

The credit policies of the monetary authorities now need not be one of rigid restraint, nor assume the character of stringency as in 1959 and the early part of 1960. Rather, as the Economic Report of the President stated: "The monetary policy must remain flexible so that it can quickly shift to the defense if unexpected inflation threatens or the balance of payments worsens."

A gradual tightening of credit and a moderate increase in short-term rates of interest are not likely to exercise a depressing effect on the economy, nor on the creation of new jobs. It should be intended merely to prevent an increase in the money supply—through the lending and investing activities of the commercial banks. Such a rise in money supply would increase wages and prices without creating additional goods, services and employment.

Under current conditions the cost of long-term capital is of greater importance than that of short-term credit. The former affects home building as well as public works. Present supply and demand forces in the capital market, aided by a sound debt-management policy of the Treasury, will leave long-term rates practically unchanged, and any increase that may take place will, under today's conditions, be only minor.

With the reductions in taxes, the stimulus to the economy should come from this force and not from the reliance on active credit ease, which is not suitable at present and if pursued could lead to serious consequences.

The decisions of the monetary authorities should be guided by the best interests of the country as a whole and not by day-by-day political pressures.

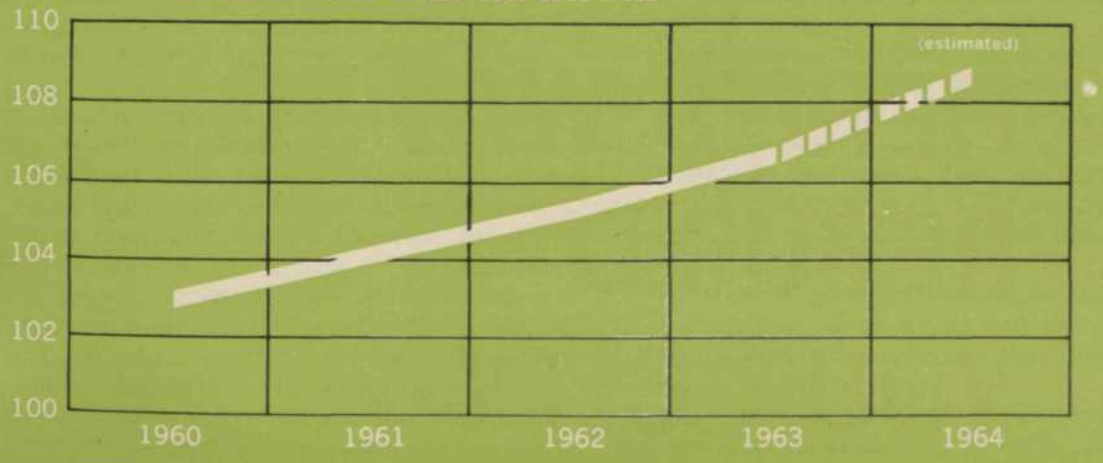
As indicated before, the balance of payments of the country will continue to exercise a considerable influence on our credit and debt-management policies. Measures have already been taken to prevent a speculative raid on any key currency, and the potential amounts of foreign exchange available in case of need to the Federal Reserve authorities and the Treasury are large. But it must be kept in mind that unforeseen international political or financial developments could create conditions which might force Reserve authorities to take measures to maintain the integrity of the dollar abroad. Such measures could unsettle the trend of business activity. Whether such an emergency will arise is impossible to predict.

The fact remains that the political situation in many parts of the world is fraught with danger and any disturbance will have repercussions on international money markets.

It is, however, within the power of the Administration and the Federal Reserve to minimize the impact of such developments on the dollar: that is, to continue ceaselessly to improve the balance of payments, to reduce the present deficit, and to strive for equilibrium in the near future. Despite the huge short-term dollar claims owned by foreigners, a material improvement in our balance of payments, the strong net international investment position of the U. S. and the great productive powers of its economy would make the dollar practically immune from any international disturbance. **END**

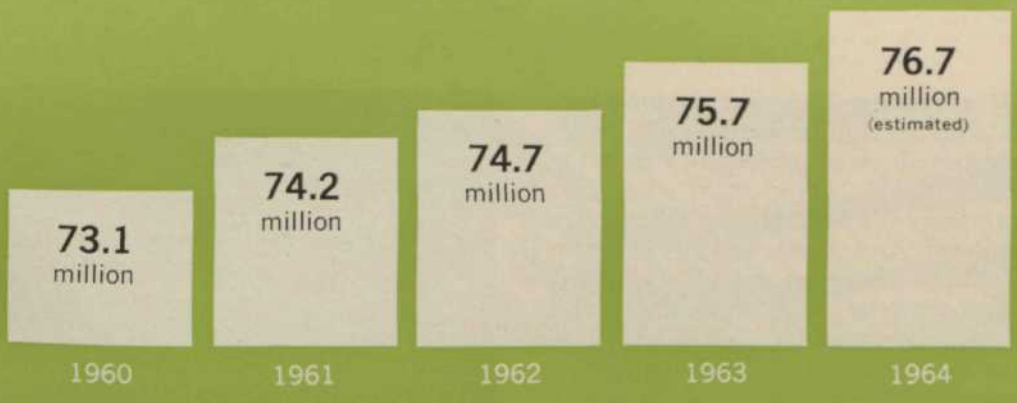
Where prices are headed

CONSUMER PRICE INDEX 1957-1959 = 100



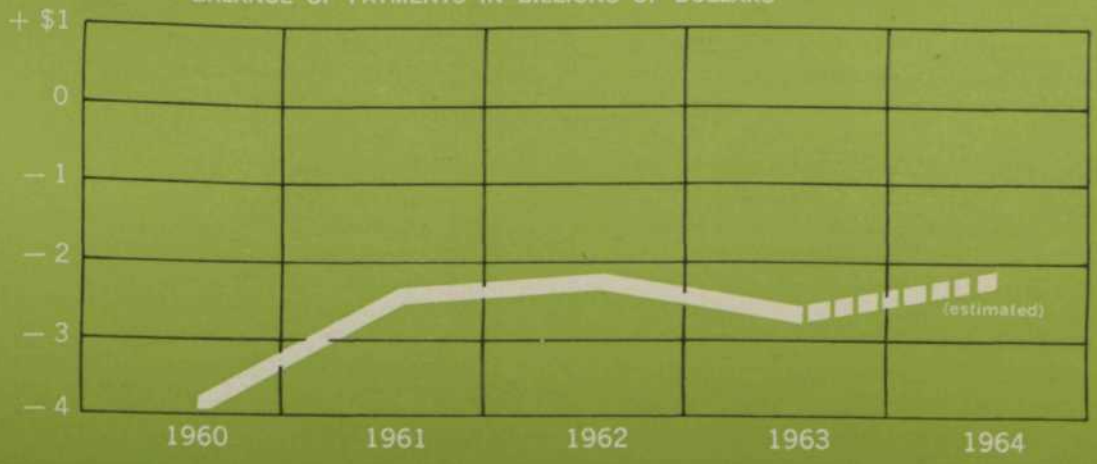
Number of workers will increase

TOTAL LABOR FORCE (INCLUDING ARMED FORCES)



Foreign trade balance is improving

BALANCE OF PAYMENTS IN BILLIONS OF DOLLARS



HERE'S WAY TO REBUILD YOUR CITY

Businessmen and city officials work together to spark construction boom

DOWNTOWN ROCHESTER, N. Y., is enjoying a construction boom, with $33 million worth of new buildings recently completed, under construction or in the planning stage.

This striking upsurge in building has taken place since the completion two years ago of Midtown Plaza, a $24 million downtown rebuilding project conceived and executed by local businessmen with the help of the city government.

The significance of such locally built projects is emphasized by Republican Rep. Frank J. Horton of Rochester:

"This is the most effective urban renewal program because there were no federal funds involved. Private enterprise, in partnership with the local government, without the use of any federal funds, was able to complete an urban renewal project in the heart of the downtown area."

His comments are particularly timely because of the growing doubts about how effectively the 15-year-old federal urban renewal program is accomplishing its purpose.

These doubts—coupled with increasing instances where downtown areas are being rebuilt with private capital—are causing Congress and others to take a sharply critical look at the Urban Renewal Adminis-

MARTIN R. WAHL



Midtown Plaza rises over the central business district of Rochester, N.Y. Meeting together in the Plaza mall are key figures in its swift development: from the left, Gilbert and Gordon McCurdy, Robert P. Aex and Maurice Forman.

tration and its current request for $1.4 billion in new spending authority.

Midtown Plaza was conceived in 1956 by the owners of two competing department stores. At that time a federal urban renewal project on the edge of the downtown area—the Baden-Ormond Project—had been under preliminary planning by the city for four years. This project is still not entirely completed.

Two years later another federal urban renewal project came under serious consideration by the Rochester city government. Known as the Genesee Crossroads Project, it would clear and redevelop a section of commercial property not far from Midtown Plaza. A federal planning grant was received in 1961, but acquisition of the property prior to clearing is not expected to start until late this year. Officials expect it will take three years more to clear the land and turn it over to a private developer. A motel chain which was interested in building there has given up and put its new unit on the other side of the downtown area.

More speed from private enterprise

Though the three projects are not directly comparable because of the smaller size of Midtown Plaza, they give some indication of the greater speed with which private enterprise was able to act at a time when Rochester's central business district was deteriorating so rapidly that property values were seriously endangered. Commenting on the development of the Plaza and its surrounding area, Robert P. Aex, who was city manager of Rochester from 1953 to 1959, says:

"The power and speed of private enterprise have taken hold and there is no doubt but that new construction and modernization are as contagious as is deterioration.

"Why are government projects so slow? It takes the bureaucratic wheels a long time to turn but, more important, the dollar incentive that exists in a free enterprise project is lacking.

"There are incentives for speed in a private project that are just not there in a federally aided project. When I see private developers hurrying night and day because the cost of borrowed money continues to run, and when I see them with an investment in equipment, I know they have these and other incentives to get things done in a hurry."

Gilbert J. C. McCurdy, board chairman of McCurdy & Co., one of the developers of Midtown Plaza, says:

"Why didn't we proceed *(continued on page 88)*

LOUIS OUZER



PARKINSON CAUTIONS:

THERE'S DANGER IN GROWTH

Author of those famous laws looks askance at computers, paperwork and image-making

A NOTED BRITISH CRITIC is flinging new barbs at us.

C. Northcote Parkinson, historian, wit, economist, political scientist, writer and declarer of Parkinson's Law is freshly opinionated after a trip to America. NATION'S BUSINESS interviewed Professor Parkinson for a wry look at the U. S. and its business.

He sees dangers in the growing size and complexity of business. Big companies tempt nationalization, he warns. Overcentralization and overinformation, growing out of computer-directed enterprises, also are to be feared, he says.

Professor Parkinson is best known for his criticism of empire-building in private and public administration.

He gained international notice in 1957 when his book "Parkinson's Law" laid bare some of the bureaucratic excesses in administration. The law said simply, "Work expands to fill the time available."

Now he gently raps American industry for too often retreating from leadership, partly because of what he regards as an obsession with public image. Even our material success is subject to question by foreigners, he points out, when they see our city slums, standstill traffic jams and haphazard community development.

But Professor Parkinson sees some room for praise too. In American business he notes more exchange of ideas, more attention to developing executives, more young people in high positions and less empire-building. Here is the exclusive NATION'S BUSINESS interview with him:

Do you feel that the new management technology—the computer, the more streamlined organization, the new information systems—tend to drive out empire-building and some of the other excesses about which you have written?

Well, I think some older, more traditional forms of staff accumulation are likely to end with the coming of the computer. On the other hand, I think the computer probably brings with it its own dangers.

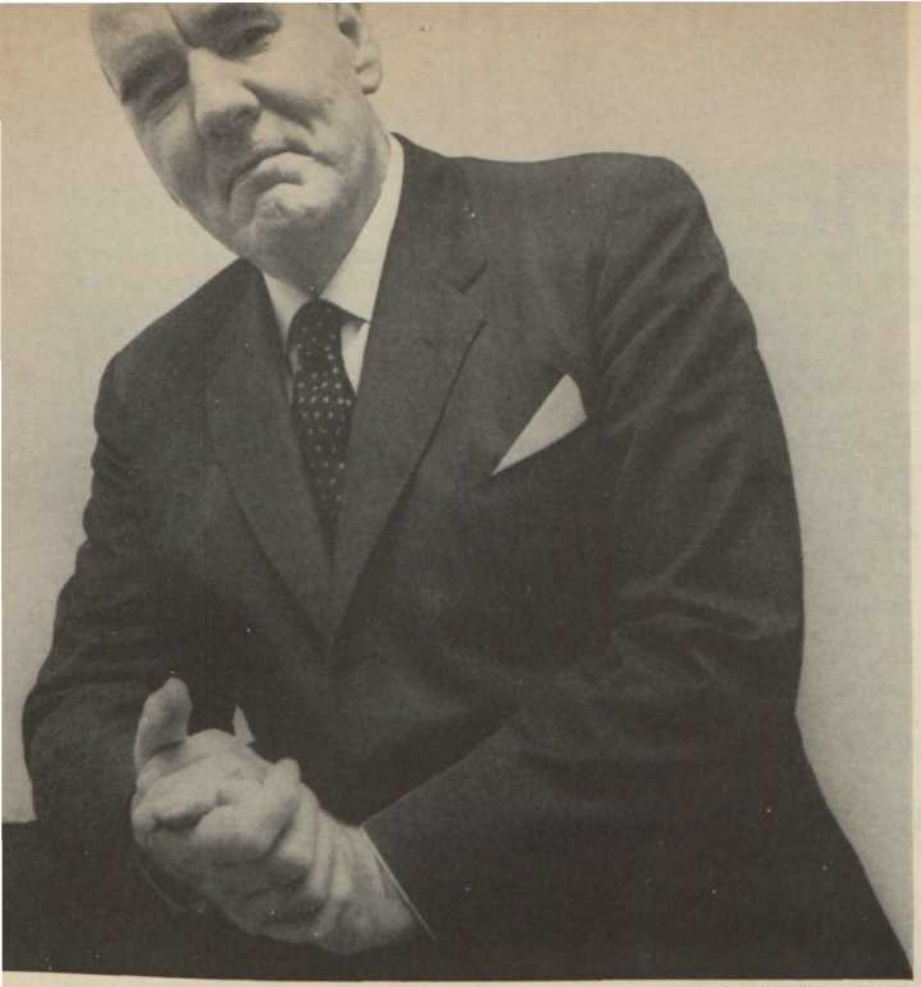
Taking the first point first, the mere installing of data processing equipment and other machinery has the first effect of implying a reorganization of the business before the computer can be brought into it. It is said that before attempting to mechanize any business process you need a preparatory period of about two years reorganizing the business in order to make it suitable for automation.

It is also said that some firms have found that after going through this two-year preparation for automation, they don't actually need to automate at all. The value, in fact, has been in the preparation, the reorganization. The machine itself is either unnecessary or it turns out to be the least important part of the general overhaul which its presence or its coming involves.

Professor Parkinson, is there any chance that U. S. business will build up a bureaucracy of machines itself, an empire of machine fat?

Well, while the machine clears up some older forms of inefficiency in staff accumulation, it does bring with it its own special characteristics and dangers.

In general, I suppose the computer has the effect of tending to centralize the organization far



LEO CHOPLIN—BLACK STAR

Professor C. Northcote Parkinson, historian and wit, speaks out anew in this Nation's Business dialogue

more. The center of control is likely to be near the machine, near the computer. Where the computer is, there will the president be also. The computer encourages the growth of larger organizations, because only a large organization will justify the capital cost of a computer and will keep the computer sufficiently busy to justify its being there.

So centralization is one result of automation. With that comes the danger of excessive centralization, of too much information pouring into the head office and either an unnecessary staff to cope with the flood of information that has been exacted or else a complete failure to cope with the amount of information that can be provided. So all you are doing, really, is storing away masses and masses of information, masses of paper, which no one has time to study.

Could that be a new Parkinson's Law?

I think the paper flood is one of the obvious dangers of the present day. A very interesting example of it comes to mind. In Britain we have at last decided to follow the American example by setting up a joint defense headquarters on the lines of the Pentagon. Until now separate Navy, Army and Air Force ministries have been maintained in London. This is supposed to be a great and significant reform, where you concentrate all the authority and centralize all the administration in a Ministry of Defense.

I was interested to hear various claims being made for greater efficiency and also, more surprisingly, for greater economy in this British Pentagon. My own comment on the proposal when I first heard it was roughly as follows: "It will obviously cost in the first instance just three times as much." This has been borne out and certainly will continue to be borne out by the experience now being gained. I say three times because obviously the volume of correspondence tripled on the first day for this new organization. Because now all the documents which previously went to admirals have now to go to generals and air marshals as well. Everything that went to generals now has to go to air marshals and admirals as well, and everything that went to air marshals now has to go as well to admirals and generals.

Many people are saying that our companies will continue to grow in size and complexity. Does this concern you?

Yes, I see great dangers in size and complexity. You may recall that my third law, briefly summarized, said: "The more complex, the sooner dead."

The danger I see in the large organization is that it invites nationalization in any country which is moving at all leftwardly in politics.

I personally would like to see a larger field of medium-sized firms in any industry. I believe that would deter nationalization. Don't get to less than five major competitors in an industry. If you do you are laying yourself open to eventual nationalization of the industry.

If business enterprises get bigger and bigger, a time may come when they reach some sort of monopoly position within the boundaries of the country with which they are concerned. When this position is reached, the businessmen have to take over the government or the government takes over the business. The latter process is socialism and it is very easy to approach a socialist society backwards, still talking about the virtues of free enterprise.

I think that it is probably beginning in America. If it has not already begun, it is at least likely. The movement leftward in the United States is at least perceptible.

Look about you. There are already vast sections of industry which are in fact under government control in the U. S. There are very large organizations which are certainly working almost entirely, if not entirely, on government contracts. Organizations connected with defense are, in effect, all but nationalized already.

It is currently said that in Europe businesses generally reach decisions

(continued on page 46)

MORE TAX CUTS COMING

There's more to this year's reduction than meets the eye: Behind-the-scenes, basic policy changes will affect future

YOU CAN EXPECT bigger and better cuts in your federal taxes in the future.

That's the word from the top level of government officials. It's the belief, especially, of Walter W. Heller, the President's top economic adviser. He ought to know. He put together the economic theory that both underlies this year's $11.5 billion tax cut—history's largest, so far—and will also bring future reductions.

The new round of income tax cuts isn't coming within the next year or so, to be sure. The next major assault on the present tax structure is likely to be revision of federal excise taxes, possibly next year.

Probably more important, the new tax cut and its basic theory must prove itself by giving the economy a new push upward. You and other businessmen have a hand in that. The manner in which you foresee the current tax cut's impact and respond to it will help determine whether or not business continues to boom.

What's more, government spending increases must be checked.

Here's how Mr. Heller puts it: "In the long run: Yes, taxes will need to be cut again if the advance of federal expenditures—cash expenditures, including the social security and other trust funds—does not keep pace (with expected increases in tax receipts in the future). This won't apply for the next year or two, when we're working off the effects of this year's tax cut. But in the long run, if expenditures do not keep pace, then there will be an increasing fiscal drag. Federal budget operations will be taking more money out of the economy than they're putting back in. And at that time, it will certainly be appropriate to consider another tax cut."

Why do such men as Walter Heller, with a basically New Deal outlook, and other, more conservative political economists see further cuts as assured?

The answer lies in the recognition of what Congress, a Democratic Administration and the nation did when they approved this year's tax cut. These three political institutions agreed on a tax cut that was far from routine even when its mammoth size and technical revisions are left out. They embraced a concept of government-economic relationships which likely will affect your business, the economy and national policy for years into the future when the immediate effects of this year's tax cut is history.

The newly endorsed, double-barreled concept is this: First, high federal income taxes drag down business growth during prosperity as well as recession; and, second, high economic activity at lower tax rates brings in more money to Uncle Sam than do high tax rates in spongy business conditions.

It took a major turnabout in congressional and even public thinking to accept the proposition that you could cut taxes without having money in the Treasury to cover federal spending. It required overcoming what Mr. Heller termed the Puritan ethic of many opponents of tax cutting at a time of deficit spending.

Endorsement of the tax cut also brought, for the first time since the depression of the 1930's, agreement by a Democratic Administration that big spending is not necessarily the best remedy for the country's ills. The Administration has, as a result, committed itself to hold down government spending and reduce the national debt. Whether this or future Administrations will stick to this commitment remains to be seen. But, as a practical political matter, the commitment may be difficult to break. White House officials are already squirming under vigorous reminders of President Johnson's economy pledge from congressmen objecting to pressure in support of pet Administration schemes.

The tax cut's successful journey through our checks and balances system also provides new understanding of the importance of private enterprise and business investment in a prosperous economy.

What Rep. John Byrnes, Wisconsin Republican, observed to NATION'S BUSINESS recently about the manner in which the big tax bill passed the House of Representatives demonstrates what has happened. Mr. Byrnes is the ranking Republican on the House Ways and Means Committee, which shaped the tax measure.

"The history of the tax bill," he said, "is one of compromise on both philosophy and theory by all sides."

The compromise, essentially, was that the White House got its tax cut, and whatever political advantages come from resulting better business. And the country got government endorsement of the longer term principles which should bring future tax cuts and, hopefully, restraint on federal spending.

When major political forces are at work, compromise implies that someone changed policies. And that's exactly what President John F. Kennedy did when he proposed the current tax cut.

He entered the White House on January 20, 1961 urging citizens to ask what they could do for their country, a theme in the liberal economic thinking of the day that ruled out a major tax cut.

Even before his inauguration, in fact, President-Elect Kennedy indicated that the road to tax reduction would be a rocky one. In December 1960, Mr. Kennedy had Mr. Heller at his red brick house in the Georgetown section of Washington, D. C., for one of his famous pre-inaugural appointment sessions. Mr. Heller, then a University of Minnesota professor who was about to become Chairman of the President's Council of Economic Advisers, brought up a possible anti-recession tax cut. JFK indicated that it would not fit well with his inaugural theme of sacrifice.

Despite this turndown of Mr. Heller, some politicians, including influential Democratic Senators, believe the President planned all along to whittle taxes for either economic or political reasons. If so, he didn't act that way.

Douglas Dillon also talked tax

Tax-cut theory of Economic Adviser Heller (left) is producing switch in economic thinking. Early in Kennedy Administration, policy was based on big spending, as recommended by Prof. Paul Samuelson (center) and overhaul of the tax structure, as proposed by Treasury Secretary Dillon

JACQUES LOWE





JACQUES LOWE

Taxes turned economics into political drama in 1962 when Mr. Heller (right) urged a quick cut. Mr. Dillon blocked it. But Heller theory won in 1964 act

changes with Mr. Kennedy when Mr. Dillon was being sounded out for his present position as Secretary of the Treasury. But the context was always structural changes —called reform by the Administration—carefully balanced so the government lost little tax revenue.

"The tax cut plan did not originate before President Kennedy took office," Myer Feldman, an aide to Mr. Kennedy before and during his presidency, and now counsel to President Johnson, says flatly.

Nor did Mr. Kennedy launch his presidential policies like a man dedicated to a tax reduction and to the restraint in federal spending needed to make the tax cut work. Quite the opposite. He raised federal expenditures during his first full fiscal year in office—the year ended June 30, 1962—to $87.8 billion or practically $8 billion above President Eisenhower's outgoing recommendations for that year. Budget deficits ran to $6.4 billion in fiscal 1962 and $6.3 billion in fiscal 1963.

Mr. Kennedy chose to follow what political economists in the capital like to call the Galbraith school, after John Kenneth Galbraith, the Harvard professor. This group of economic theorists contend that government can cure unemployment and keep the economy going upward by steadily raising spending, taxes and deficits.

Mr. Kennedy, like most politicians, had based his economics largely on what he thought would attract votes as opposed to the practical economics of businessmen or the theoretical economics of academicians. So he reached out for advisers, mainly from the university ranks, to fill this gap. A task force of advisers headed by Paul Samuelson of Massachusetts Institute of Technology told the newly elected President the best way to spur the economy and cut unemployment was to pump more money into the economy via increased government spending rather than through tax cuts.

"Mr. Kennedy opted for an increase in spending," sums up one of his former tax advisers. His tax policy steered clear of big cuts and aimed at restructuring the tax system without loss of revenue.

"The Treasury was gung-ho for reform and so were we at the White House, philosophically," says a Kennedy aide.

Besides Mr. Dillon, the key treasury advisers were Under Secretary Henry H. Fowler, a New York lawyer who recently resigned, and Assistant Secretary Stanley S. Surrey, a Harvard professor with aggressive ideas for restructuring the tax system.

Increasingly urgent danger from the loss of gold to foreigners was a major consideration.

"President Kennedy would have liked to stimulate business by lowering interest rates when he came into office," asserts one key Democratic senator on tax matters. "But he couldn't because of the balance of payments situation and because he couldn't control the Federal Reserve Board." FRB Chairman William McChesney Martin, Jr., and other officials feared lower interest rates would encourage more American investors to send money to Europe in search of higher returns, thereby increasing potential pressure on the value of the dollar.

So the Treasury and the President came up with their 1961 proposal of a tax credit designed to encourage new investment by business in plant and equipment. The planners reasoned this would help the economy by encouraging installa-

(continued on page 108)

WIDE WORLD



Rep. Mills (left) and Mr. Dillon piloted bill through House. Mr. Mills won promise of a rein on spending

JACQUES LOWE



President Johnson, here with aides Larry O'Brien (right) and Kenneth O'Donnell, bid for support of conservatives with claims of reductions in budget

GEORGE TAMES

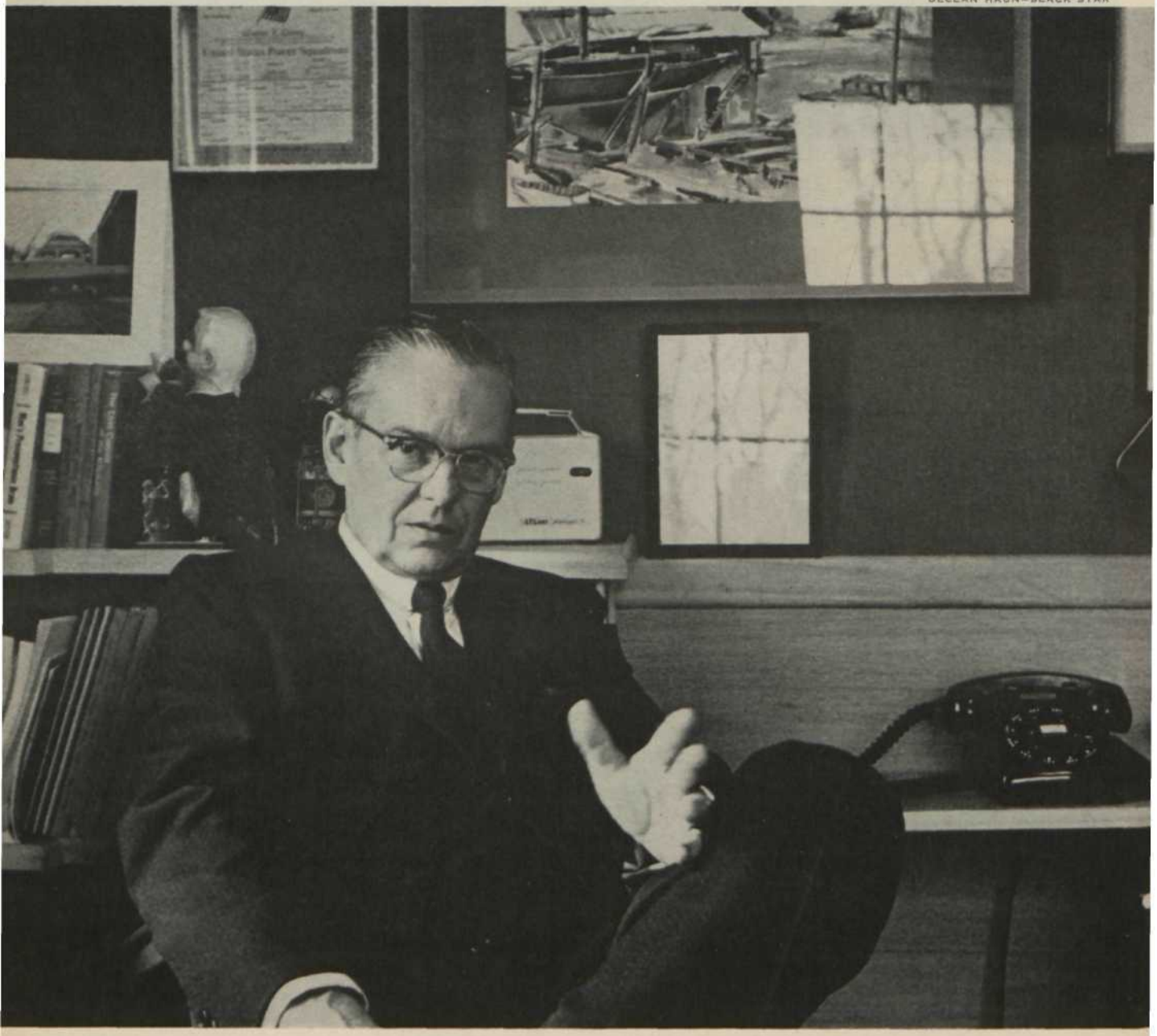


Louisiana's Long (right), Virginia's Byrd saved the tax bill from final liberal attack in the Senate

New business spokesman

Better understanding of the profit system is needed, says the president of the Chamber of Commerce of the United States

DECLAN HAUN—BLACK STAR



urges positive approach

WALTER F. CAREY thinks the American businessman should stand up and speak out for the profit system and what it has done for America.

While business has had phenomenal success in using the tools of communication to sell its products, he says, it has been strangely inept in using those same tools to sell the system that has built the nation to its present position of power and prosperity.

And as the new president of the Chamber of Commerce of the United States, Mr. Carey plans to do something about it. "A big part of my job," he declares, "will be to help business create a better image of what it is and how vital it is to our way of life."

A reticent man on most subjects, Mr. Carey speaks with feeling about the need for the businessman to dispel the idea that there is something vaguely unsavory about the profit system.

"I attended a symposium of bright young college students not long ago," he says, "and it was amazing how much they knew about current events and complex international matters—and how little they knew about business and how it operates. Somehow they related present-day business to the old cartel system; they didn't realize that the free market does operate and the simple fact is that a man makes a better profit by doing a better job and making a better product."

He considers such suspicion, grounded in ignorance, as a genuine danger, and feels that businessmen generally must carry their message to the people. Business may even have to undertake research projects to determine how to improve its image, just as it uses research to determine how to improve its products and bring about their acceptance by the public.

In pursuing this theme, Mr. Carey likes to use the words of Woodrow Wilson, who, he notes, was never celebrated as a mossback, a reactionary or even a conservative:

"Business underlies everything in our national life, including our spiritual life. Witness the fact that in the Lord's Prayer the first petition is for daily bread. No one can worship God or love his neighbor on an empty stomach."

Mr. Carey adds:

"Now if business does underlie our national life, then it seems to me that it is up to those of us who are in business to fight a lot more aggressively to preserve business.

We've got to forget the modesty which has kept us from asserting our true role among the forces which have made America great.

"I'm getting a little tired of business being a whipping boy for critics who make no contribution to America's greatness anything like that of the men who create the jobs. I'm tired of the theorists who ridicule the man who has to meet a payroll and I'm tired of the philosophy which seems to hold that there has been a change in the law of survival and that man must earn his bread by the sweat of his brow. And I'm deeply disturbed by what seems to be a developing national attitude in conflict with the very qualities which made this country great."

Walter F. Carey, National Chamber president, directs $20-million-a-year trucking complex from office in his Birmingham, Mich., home

Directs business from his home

As you talk to Mr. Carey in the quiet little office in his Birmingham, Mich., home, from which he directs a $20-million-a-year trucking complex, you quickly realize that he brings two prime assets to the task he has taken on as National Chamber president.

First, he himself is the personification of the American business dream: He was born into a middle-class family; he worked his way through college; he risked his shirt to get a start in business; he worked—and still works—long hours at top speed to improve his position; and today, at 58, he is a well-to-do member of the business community with a fine family, a splendid home and the respect and admiration of his friends and associates.

The second asset is a quality that lies beneath the first: An unspectacular but unrelenting drive that will not give up until the job at hand is done. "I've got a Swedish strain in me," he explains, "and once I take hold of something I can't let go."

A believer in compromise—in "working things out," as he puts it—he has a record of getting what he wants and at the same time leaving everyone happy.

"I don't duck a fight," he says, "but I don't think you get as far battling every inch of the way as you do by working on the differences and discovering the area of possible agreement."

One associate calls him a demanding optimist. That is, he never concedes that any project is too difficult and he achieves the seemingly impossible by making tremendous demands *(continued on page 98)*

A LOOK AHEAD

How new pay law will work

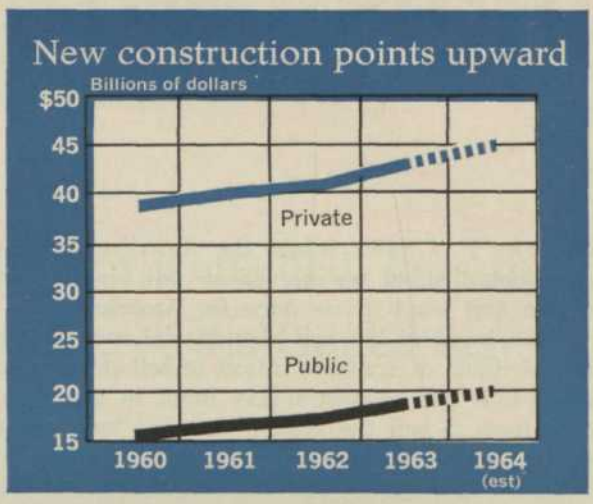
(Labor)

Where tax planners aim

(Taxation)

Jet export battle ahead

(Transportation)



AGRICULTURE

Tobacco growers' troubles seem sure to multiply, irrespective of whether health scare lasts. High price supports and rising surpluses are to blame.

Tobacco under government loan—equivalent of federally owned surplus stocks—hit a near-record 932.5 million pounds, or $670.8 million worth, on January 31. That's up nearly 40 per cent from a year earlier.

Surplus ballooned despite last year's biggest-ever cigarette puffing—524 billion cigarettes, or about four packs a week for every American over 17. New chemicals boost yields per acre while filters reduce the amount of raw tobacco needed to make one smoke.

As a result, congressmen, other critics of federal farm programs foresee new attacks on tobacco growers' high price supports. U. S. now supports leaf prices at flat 90 per cent of parity. No other commodity gets such generous treatment. Rigid price support forces Agriculture Secretary Freeman to slash already tiny acreage allotments; growers of the main cigarette types—flue-cured and burley—are taking 10 per cent cuts this year.

CONSTRUCTION

Public construction upsurge here parallels Europe's. (See article on page 76.)

Total public construction by governmental units—local, state, federal, including military—is expected to rise eight per cent this year to a record-breaking $20.2 billion. Officials watch congressional appropriations, tax cut's impact on local revenues for a gauge of 1965 building. Few talk slowdown.

Significantly, about $8 out of $10 spent on public construction goes into state and local government-owned projects.

Urbanization boosts sewer, water system outlays 11 per cent to over $2 billion. Schools get a big $3.3 billion. Highways, $7.1 billion, more than all public construction spending in 1950.

Uncle Sam's housekeeping agency, General Services Administration, figures on spending about $175 million on public buildings, not including major post offices and veterans hospitals. GSA has a backlog of some $1.5 billion in new construction wants.

CREDIT & FINANCE

An Administration budget-gilding scheme bites the dust quietly.

That's the outlook for a plan to let the Federal National Mortgage Association and Veterans Administration pool mortgages for resale. Private investors would be offered participations in the pool. Currently, these mortgages have little attraction because of low yields. FNMA, Export-Import Bank already sell more than $1 billion a year in more attractive assets. Plans pegged pool sales at $300 million.

Under government budget practice, sales of federal assets reduce the over-all spending total, rather than upping revenue. The more assets the government sells, the more the Administration can spend within the budget.

But the House Banking Committee pigeonholes the plan. Debentures would have to sell at such a low price to produce attractive yields, they would be practically a give-away of assets, House opponents argue.

FOREIGN TRADE

Look a year ahead and you'll probably see negotiators still talking at the big free world tariff-cutting confab opening this month. Despite the spring start, real horse-trading won't begin until late fall or winter.

Main reason is the extremely complicated bargaining involving practically all goods in international trade. U. S., Common Market still have procedural differences to iron out.

Outside events will cause delays, too. First, the big United Nations trade conference over new nations' demands for more aid has priority on the meeting rooms. Then, August is a vacation month in Europe; nobody works.

Third, forthcoming elections in

two key nations—U. S. and Britain—create indecision. Britain, especially, isn't likely to offer many commitments until after a new government wins a mandate.

LABOR

You may be in for a headache June 11 if you don't plan ahead.

Reason: Federal law requiring equal pay for men and women doing equal work takes effect that day. For some companies, effective date comes later because of existing labor pacts. Companies employing some 27.5 million workers under Fair Labor Standards Act (the minimum wage law) are covered.

After the effective date, you can't pay women less than men simply because they're women. Other reasons are okay: merit, seniority, differing duties, for example. Labor Department administrators say they'll try to use a rule of reason. You won't get fined for paying your black sheep brother-in-law more than a girl.

Industries affected most include banks, electronics manufacturers, insurance companies, department stores where both sexes work side by side. Some banks prepare for change by paying tellers who are heads of households—mainly men—higher than others.

To comply with law after June 11, you'll have to boost women's pay to men's level; you won't be able to decrease men's pay. Contrary to what some women's-rights crusaders are saying, though, the law doesn't mean an automatic wage boost for the ladies.

Labor Department plans to add 27 investigators to help check on compliance, schedules 4,000 investigations a month.

You can get more information by writing Chamber of Commerce of the United States, Washington, D. C., for "Guide to Equal Pay Act."

MARKETING

Politicians cautiously warm up their campaign-year effort to appeal to consumers. Business—or at least some businesses—may become the whipping boy.

President Johnson's commission to study impact of big chains, other marketing units on price, choice of merchandise by storekeepers and shoppers worries industry men. They fear the study will take on even more political taint than originally planned.

Mrs. Esther Peterson, LBJ's consumer aide, begins her promised series of nationwide community meetings blandly. This month's Salt Lake City conference is second of six.

In Congress, credit regulation bill of Sen. Douglas of Illinois may yet provide focus of a tub-thumping campaign. Pushed for several years, the measure would require stores, lending institutions to state a simple annual interest rate to credit customers. Businessmen say that is almost impossible to do accurately. Federal Reserve ducks policeman's role.

Senate debate on this or amended scheme may follow civil rights filibuster.

NATURAL RESOURCES

What's the next wonder metal for industry?

Technology's increasingly far-out needs send scientists scurrying to overlooked or heretofore unused natural elements. Much research already pays off. Titanium skin on the hush-hush A-11 plane draws new attention to the metal; it withstands higher heat than aluminum. Research into germanium, of course, brought transistors.

Space probing puts premium on metals with extremely high melting points. Government's Bureau of Mines is experimenting on a new process for refining tungsten. A tungsten-silver combination now forms many rockets' throats through which super-hot exhaust blasts out.

Molybdenum, tantalum, columbium, rhenium, beryllium are in line for new research.

Platinum's supply worries some metallurgists. Industry uses increasing amounts for its high temperature, anticorrosion qualities. Rising demand for cadmium for plating, batteries also raises supply problems.

TAXATION

Federal tax planners cling to long-range goals, though with few hopes of immediate success. They bank, instead, on years-long education, as some Treasury officials put it, of citizens and Congress.

So don't figure all debate on basic changes has died with passage of big tax bill. It's just hibernating.

Two top targets: income tax deductions and capital gains.

On deductions, the Treasury sought a floor of five per cent of adjusted gross income. Congress tossed out the idea. What the planners really seek now is an end to all deductions, sweetened by lower tax rates.

On capital gains, theorists want tougher treatment so that more—if not all—gains are taxed as income. Businessmen argue for easier treatment, contend the capital gains tax dampens investment.

TRANSPORTATION

Always hot international competition for the subsonic commercial jet transport market may get even hotter because of Common Market tariff policies. The outcome could have major impact on the U. S. payments balance.

U. S. firms—mainly the Boeing Co. and Douglas Aircraft Co.—will export about $250 million of big and medium-sized jets this year. Each such jet means additional sales of 15 to 30 per cent a year in engines, extra parts by suppliers.

Selling points now ride largely on technical, safety advantages. But British, French plane companies stand to close the technical gap in shorter range, slower jets. So price will become more important, industry officials figure. And so will tariff rates, which are part of price.

U. S. industry men fear France will insist airlines of Common Market countries pay duty on jet imports from outside the Market when common tariff schedule takes full effect. Most countries now waive tariffs on these planes. British manufacturers might demand their lines do the same.

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PARKINSON

continued from page 37

quicker, and with fewer executives involved than is true here. Do you feel this description is accurate?

I think many Americans have been brought up in a tradition of democracy, progressive education, and are quite genuinely afraid of taking responsibility. They like to think rather of group decision, of committee decisions and attempts to ascertain what their employees think on a given issue. All this is somewhat of a retreat from the ideal of leadership.

Is there too much trying to create a favorable public image?

Exactly. Obsession with the public image rather conflicts with the sort of leadership that can give you a quick and effective decision. Industry in Europe, from what I know of it, has its own faults. But the typical organizations there do offer a far higher amount of willingness to take responsibility among their executives. They are organized in a very different way and, as I'm sure you realize, the European countries differ enormously among themselves, the types of organization they set up, and, in fact, still more, the types of people who achieve positions of high responsibility in their different industrial fields.

Is there any difference between American executives and those abroad?

Yes. Aspiring to high position has been far more emphasized among U. S. executives than among executives in many other countries. The reason for this is that in a country like Britain, for example, the highest prestige comes not with executive responsibility in industry, but with family, birth and military reputation, rank in the armed services or the foreign service and even intellectual distinction.

In other words the status symbols in England are different. The businessman there would in any case feel himself inferior to an admiral or an ambassador. In America most people would think that there is no higher object of ambition than being the president of General Motors.

Some people who have been studying the management cadre in the newly developing countries seem quite concerned that they are very leftward inclined if not outright Marxist. Do you share that opinion?

Well, these countries are likely to show a socialistic tendency because in most of them there is no managerial class or upper middle class or, indeed, the middle class

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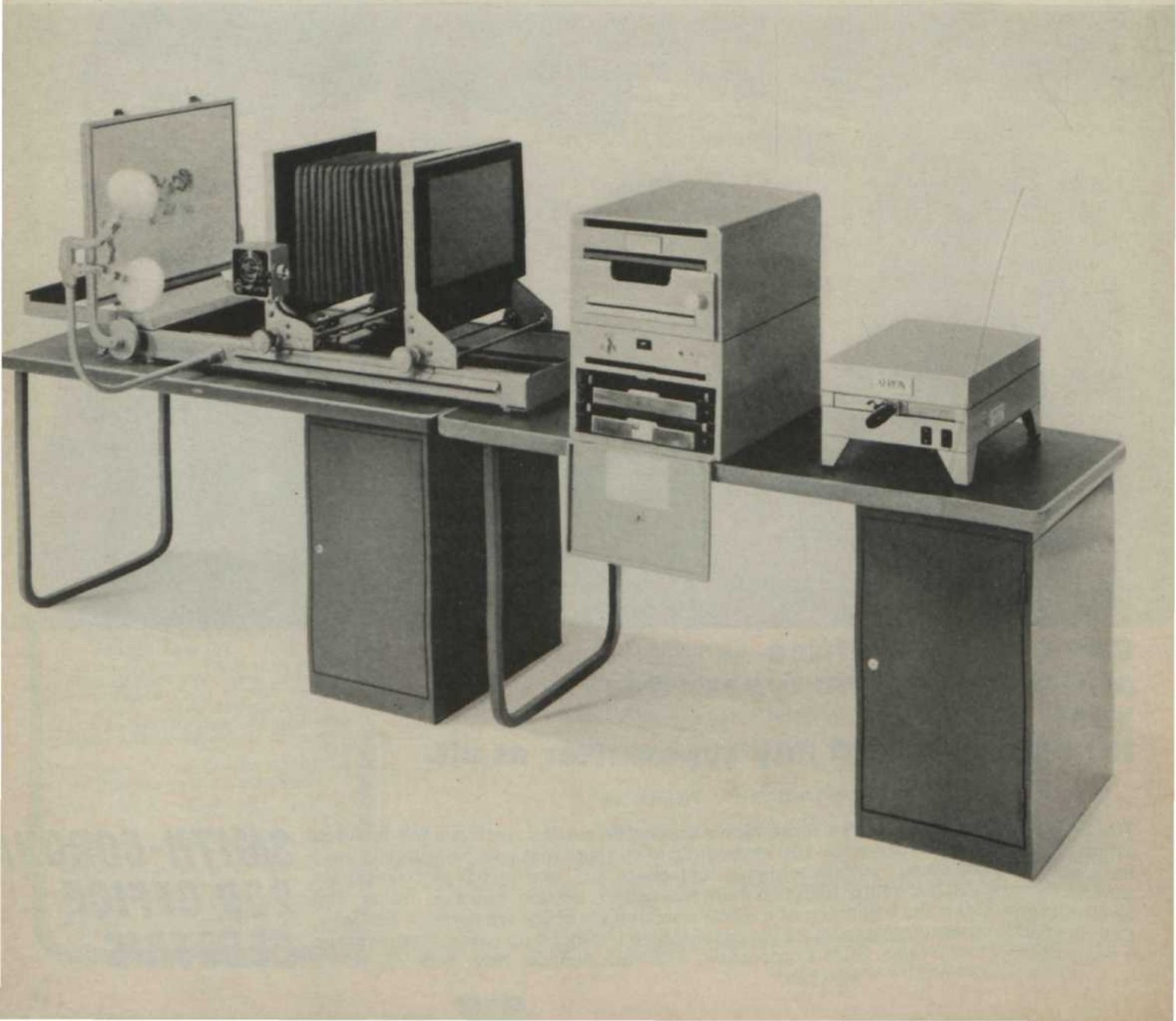
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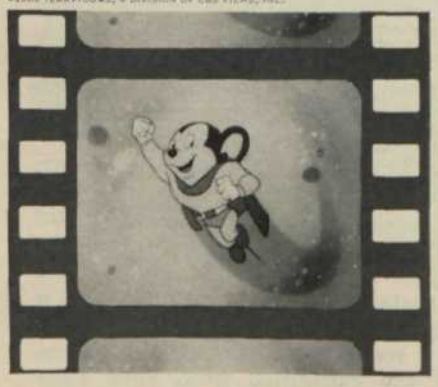
Xerox Standard Equipment won't win any beauty contests. (But who buys a machine for its looks?)

And it's no speed demon. Though it takes only a few minutes to copy almost anything with it.

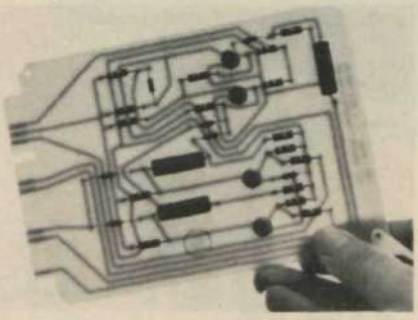
Its virtue: it lets you do more plain and fancy copying than any other copying device in the world.

We say Xerox Standard Equipment makes it possible to copy on almost anything that will hold still, and we can prove it. Copy printing, drawings, photographs, patterns, printed circuit diagrams, even three-dimensional objects. And it makes it possible to copy all of these on metal, paper, plastic, wood, flat or curved surfaces. (Not on a pile rug, for example. But who wants to?)

You can copy patterns onto cloth. Templates onto metal. Charts onto clear acetate for projection. Even print on an egg.



"Mighty Mouse," like many other cartoon characters, owes a lot to xerography. Using modified Xerox Standard Equipment, Terrytoons Division of CBS Films, Inc., copies original drawings on acetate "cels" from which the frames of the film are made. Other Terrytoon characters animated through the use of xerography are: Hector Heathcote, the Minute and a Half Man, Hashimoto-San, Luno the Soaring Stallion, and the fearless enforcer of the West, Deputy Dawg.



This is a printed circuit board. Xerox Standard Equipment made it possible to copy the circuit on the copper surface. Next a chemical bath etched away the copper except under the lines. And there's a printed circuit. One company cut production time (including drawing and checking) for prototype printed circuits by three weeks.

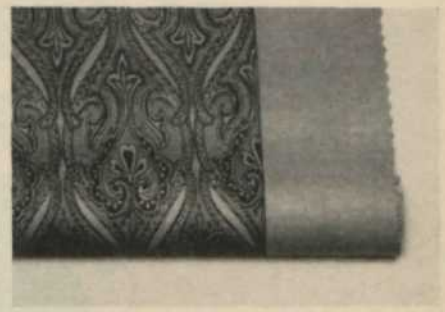


Of course, thousands of people still use Xerox Standard Equipment to make paper or metal offset masters. Some have been doing it for 13 years. There are faster ways to make offset masters, but none make a better master. A paper xeromaster is good for 20,000 or more copies. (We know a guy who made 40,000.) Why make two or more ordinary ones when one xeromaster will do?

This takes more than a minute. About 3 minutes. And some care. But it demonstrates a point. Xerox makes it possible to transfer images to a wiggly surface like this.

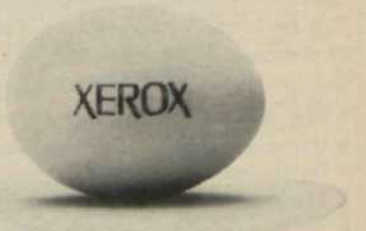


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PARKINSON

continued

which is to be found in more highly industrialized countries.

In many of these countries their economic position is extremely backward. Their general character is agricultural and their capitalist class is too small to industrialize the countries rapidly by any efforts of their own.

Do you feel that it is within the capability of American businessmen to turn some of these countries in the direction of competitive enterprise?

I rather question whether these countries are likely to be influenced. The newly independent country is very jealous of the independence that it has just gained.

To other countries, especially oriental countries, American ideals appear to be altogether material. And apart from that, the critics of the United States in developing countries may even query whether American materialism is successful. One particular field for criticism is the situation of the contemporary American city. To many visitors from other countries, your typical city looks like a place that no one would care to live in.

I have often wished that the money wasted on foreign aid, and in most cases more than wasted, could be spent initially on making one city in the United States into an example of what a modern city can be, an example in terms of architecture, of culture and of practical convenience in living.

The visitor from elsewhere finds some American cities to which he goes for business purposes squalid and decaying in the center of the city, large areas of slums and streets occasionally brought to a standstill by a congestion of traffic.

I might note further the extent of the casualties from your road accidents and the ugliness of surrounding areas where rubbish is piled in one place, battered-out automobiles stashed in another and where the landscape has too often been spoiled by haphazard development. These are all things that a visitor from Tokyo, shall we say, might find unattractive. These are things in which a visitor from Hong Kong might feel that his own city was superior.

Is there a danger that a civil-servant type of mentality may gain power over business?

I think the danger exists. But so

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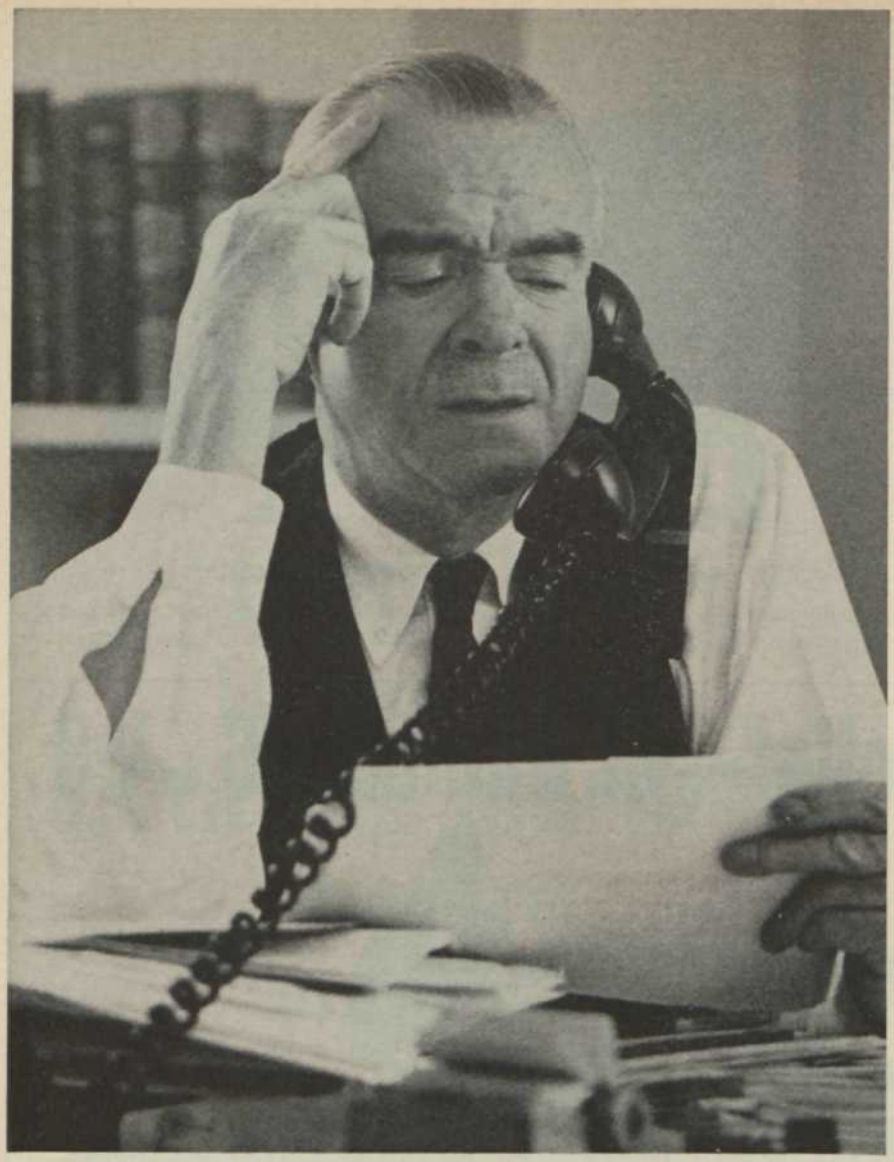


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PARKINSON

continued

far in the United States the civil servant has not had the prestige that he enjoys in some other countries. As, for example, in France. It is this lack of prestige which has so far largely saved American industry from the sort of government interference which is to be found in other countries.

In order to make the situation more secure in this respect one possible policy for big business in America would be to insist on paying the higher civil servants a far higher salary than any of them now receive.

If paid on a comparable scale to high executives in industry they would, in time, perhaps absorb an attitude toward the American economy which characterizes the attitudes of businessmen in the United States.

Do you feel there is a need for better liaison abroad between our private businesses overseas and our government?

That might well be so. You have to remember in this context that when the State Department moves into any area with plans for its development with talk of foreign aid and so on, many cynical people, especially those not disposed toward American points of view, are apt to see in it a cover for American business interests, often, no doubt, quite unjustly.

But in Britain, for example, to go no further than among avowed friends of the United States, the effect of American disapproval of colonialism in any area where there has previously been British influence, the suspicion sometimes arises that the withdrawal of wicked British colonialism will be followed by the advent of American economic penetration.

In France this same suspicion has been embodied in a single expression, Coca-Cola, which in French is pronounced Ko-KoKola, as you know, and has given rise to the technical name, "Cocacolanization."

Would you tell us what makes you most optimistic about the prospect for business, whether in the United States or abroad?

The thing that makes me most optimistic is the fact that many people in positions of high responsibility in American industry are

(continued on page 57)

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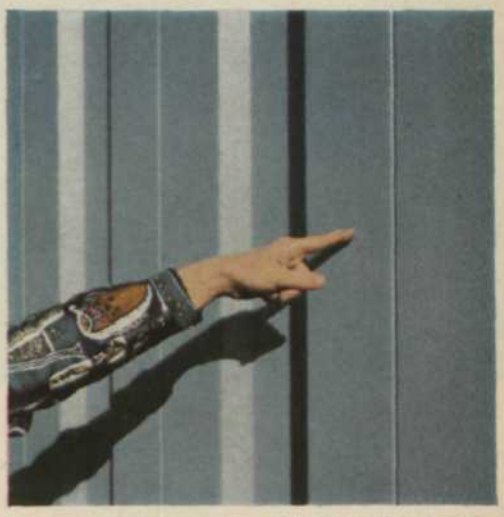
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young—young enough to make the most of the opportunities they are given. I think that the accent on youth in American industry and commerce, where it is to be found, is a most encouraging sign.

And on the bleaker side of things?

The question that sometimes occurs to me is how United States business will fare eventually in competition with oriental nations.

There is a very significant process observable now in Hawaii. There, American, Chinese and Japanese enterprises all have full scope in competition against each other.

It will be interesting to see what the final outcome will be, but some people have ventured to predict that the Chinese may end with all the money—just as the Japanese have already acquired most of the political power.

Do you feel there have been any noteworthy improvements in business management since you began to criticize some of its shortcomings?

Yes, I think there have been some great changes in the past few years. There is, more and more, a tendency for people in management to come together and discuss their problems. They are far more concerned about the problems of the day and far more inclined, as time goes on, to listen to people who have made a special study of management.

I think these signs are very encouraging. Of course, I may get a slightly wrong impression through attendance at conferences and meetings because it is obviously the more intelligent managers who attend the meetings. The more backward people in business I'm less likely to meet.

Are you still concerned about large organizations choking out the individual genius?

Yes. I now find more executives interested in the question of developing ability within their organizations, the need to locate and train the ability they have within a company with a view to providing successors for executives now in office. This is very useful thinking because there is a need to have someone to take the place of each executive within, let's say, 24 hours, should he suffer an accident or illness or should he resign. This is a useful piece of organization. **END**



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NEW LOOK AT U.S. REDS

A Nation's Business interview with Rep. Edwin E. Willis, new chairman of the House Committee on Un-American Activities

PERSISTENT, if not always visible, activities of domestic communists remain a constant threat to the nation, according to Rep. Edwin E. Willis, the new chairman of the House Committee on Un-American Activities.

Representative Willis, a Louisiana Democrat who took over after the death of long-time Chairman Francis E. Walter of Pennsylvania, sees day-to-day evidence assembled by the committee's investigative staff.

In this interview, he cites continuing communist efforts to carry out Moscow's designs through such devices as infiltration of labor unions, propaganda in numerous publications and use of front groups—achieving influence far in excess of mere numbers of party members.

Mr. Chairman, what would you cite as evidence of current communist activity?

Their activity is in evidence every day wherever they feel there is fertile ground for the dissemination of their philosophy and carrying out the objectives of the communist conspiracy. We see them in action at all times in one way or another.

Colonization of labor, which is very quiet and subtly done, is one of their current methods of operation. This sort of penetration could lead to control of unions and so on.

I am not by any means labeling unionism or the labor movement of America as communist or connecting unions with communism. The point is that the communists have traditionally recognized the importance of unions and are sometimes able to penetrate these and other areas with the real experts, the trained agents of Moscow on American soil who do their bidding.

What do you mean by colonization?

We've had a number of hearings on that. We found out that very capable students—frequently financed or assisted by communists—will attend universities and obtain degrees, even advanced degrees, particularly in sociology or economics. Then they don't engage in work consistent with their education, but instead take menial jobs in industrial plants where they can stir up trouble or work their way into leadership positions. That is what is popularly called colonization in the labor movement.

We have produced evidence that some of these colonizers use false social security numbers and falsify prior employment records to cover the years they were in college. They don't, of course, ever disclose their degrees and high education.

In what other ways do the communists exert their strength?

Well, one of the sad commentaries of our time is the ability of the communist to entice and ensnare the joiners—the do-gooders or left-wingers—to join front organizations and thus to lend the prestige of their names and sometimes their time and money to the work of the communists.

In a democracy such as ours the communists will not operate under a communist label. They operate under false labels, fronts. It is primarily through these that the dirty work is done.

And then they have experts in the literary world writing books, newsletters, magazines, some newspapers such as the *Worker*. They control at least three dozen publications.

How many actual Communist Party members are there in this country?

Our information is that there are about 10,000 such members, but you must understand that the most deceiving thing about the communists is their number.

We have had that illustrated many times.

For instance, when I presided over hearings in San Francisco in 1960, which resulted in the filming of "Operation Abolition," a comparative handful of hard-core communists were able to incite hundreds of people to riot.

Behind the Iron Curtain—in Russia, for instance—only some three or four per cent of the people are enrolled or card-carrying communists. The balance are the brainwashed and the great majority the unhappy victims. They don't have more party members because they don't want more. They don't want more because they can only trust everything in the



GEORGE TAMES

Chairman Willis, *a Louisiana Democrat, has constant access to evidence which committee investigators get on communists*

conspiracy itself to a comparative few and have found they can rule with a relatively small party.

Do you expect U. S. communists to branch into any new lines of activity or change their emphasis?

You can expect change of emphasis from time to time. As to the new lines or areas of activity, that is problematical.

You must understand that they worm their way into all facets of our society which are ripe for the propagation of the conspiratorial goals of communism.

In other words, they never lack areas.

What will the future communist line be?

Well, ultimately, they respond to the Moscow line. By that I mean the Moscow line vis-a-vis Cuba, or vis-a-vis Viet Nam, or vis-a-vis any particular international situation. This will sooner or later, and usually sooner than later, become the domestic communist line.

Does world-wide communism reap much propaganda advantage from the activities of American communists?

Yes, we have extensive evidence to support that in our committee files. Foreign Communist parties and fronts—and Radio Moscow, Radio Peking, the whole international Communist propaganda apparatus —seize on and play up U. S. Communist Party statements and activities.

Do the followers of the Chinese line show any signs of taking over the communist movement in our country?

The vast majority of domestic communists still accept the Moscow line.

But there are some ultra-violent communists in this country who follow the Chinese line. They don't go for Khrushchevism. They think Khrushchev is too soft. When some of them visited Cuba they didn't go to the Russian embassy, they went to the Chinese embassy. They go for the Mao variety of communism—the open, revolutionary type.

Many of them came back to make public appearances advocating the virtues of Castroism.

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U.S. REDS

continued

ing 59 people who went to Cuba in deliberate violation of State Department regulations even after having been admonished in writing not to do so. Some of them were subpoenaed and incited disturbance to such an extent that I had to have them expelled from the committee hearing room.

Isn't there a danger to the country from groups other than communists?

Of course there is—from narcotics pushers, murderers and so on. But the committee's job under the resolution creating it is to pursue the communist conspiracy.

During World War II, the Bund was a threat under the wording of the resolution and so the committee at that time under Chairman Martin Dies held some hearings concerning that and other Nazi and fascist groups.

Now, there are other organizations that some people may call—and perhaps properly so—complete-

MORE LEGAL TESTS AHEAD

PENDING IN THE COURTS are several test cases and other legal actions filed by the federal government against alleged communists and communist organizations and activities.

Before the Supreme Court is the American Communist Party's conviction and $120,000 fine for failing to register under the Internal Security Act as a communist-action organization substantially directed, dominated and controlled by the Soviet Union.

The conviction was reversed by the Court of Appeals so the Justice Department has asked the Supreme Court to reaffirm the trial court's verdict of guilty.

The Court of Appeals held that the Communist Party officers who should have signed the registration forms could avail themselves of the Fifth Amendment's protection against self-incrimination.

The two principal officers, Gus Hall, general secretary, and Benjamin J. Davis, national secretary, are also under indictment for failing to register on behalf of the party. Their trial has been held up pending the outcome of the government's case against the Communist Party itself.

Members of the Communist Party are also required to register with the attorney general's office, but none has done so.

Orders to register have been issued by the Subversive Activities Control Board against 25 individuals, all of whom have appealed the order to the courts. The Justice Department has petitioned the SACB to issue orders against another 12 alleged party members.

The individuals are mostly national, state or local Communist Party officials or leaders. Although there are an estimated 10,000 Communist Party members, it is difficult to get proof of membership which will stand up before a court or jury without exposing confidential informants, according to J. Walter Yeagley, assistant attorney general in charge of internal security.

Another test in the Supreme Court is an appeal by Elizabeth Gurley Flynn, Communist Party national chairman, and Herbert Aptheker, national committeeman and former editor of the publication, "Political Affairs," whose passports have been revoked by the State Department.

Lower courts have upheld the revocation on the ground that the government may regulate travel by Communist Party members which may be inimical and dangerous to our security.

Pending in the Court of Appeals is a finding that the International Union of Mine, Mill and Smelter Workers is communist-dominated. This finding by the Subversive Activities Control Board, if upheld, would strip the union of bargaining rights and other privileges accorded legitimate labor organizations.

Six officers of the union were convicted, fined and sentenced to jail for failing to file noncommunist affidavits under the original Taft-Hartley Act. Affidavits are no longer required under the 1959 Landrum-Griffin amendments.

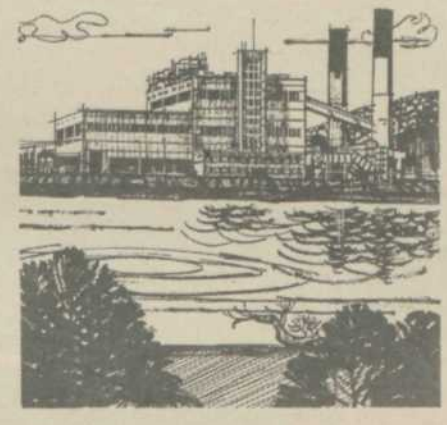
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Alabama	54"	Florida	53"
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Average for nation (48 states)			34"

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*Based on records of U.S. Geological Survey. Records of surface stream flow do not include flow entering the 4-state area from other states.

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NB-1

U. S. REDS

continued

ly un-American in the broad connotation of the word, Rockwell and his swastika outfit, and so on. But is that a threat to our whole country? Would not investigations and hearings at this stage just be a promotion of their cause?

So it is a question of judgment. It is a question of what constitutes un-American activities of the type that are a threat to our security.

Have you been keeping tabs on any other groups to determine whether their activities might become such as to require committee action?

We keep tabs on the activities of quite a number of groups. I can't go beyond that.

Do you feel that the position of sincere opponents of communism is hurt by extremists?

I should say that extremism in any field has some unintended detrimental effects on an otherwise good cause, or on any cause for that matter. For example, an extreme right-wing movement tends in some unintended ways to have a bad effect on conservatism. Extreme liberalism tends to discredit honest feelings about progressive government and liberal opinions, and so on.

Do you foresee any strong move in the near future to abolish your committee?

I don't think so. The opposition will persist. The opposition is vociferous and loud. It is probably growing a bit.

It is not lessening. But, answering your question, do I see in the immediate future a super effort to abolish the committee? I don't think so.

We make a yearly report to Congress. We are in the hands of the Congress and I think we are in good hands.

Much of our work, a very large percentage, necessarily has to be behind closed doors, because you just don't send telegrams to your enemies.

On the other hand, we have put out some 500 separate consultations, hearings, and reports over the years. Over 7 million copies of them have been printed and distributed not only in the U. S. but even abroad. These publications have been used by well informed people —members of Congress, clergymen, scholars, business leaders, writers

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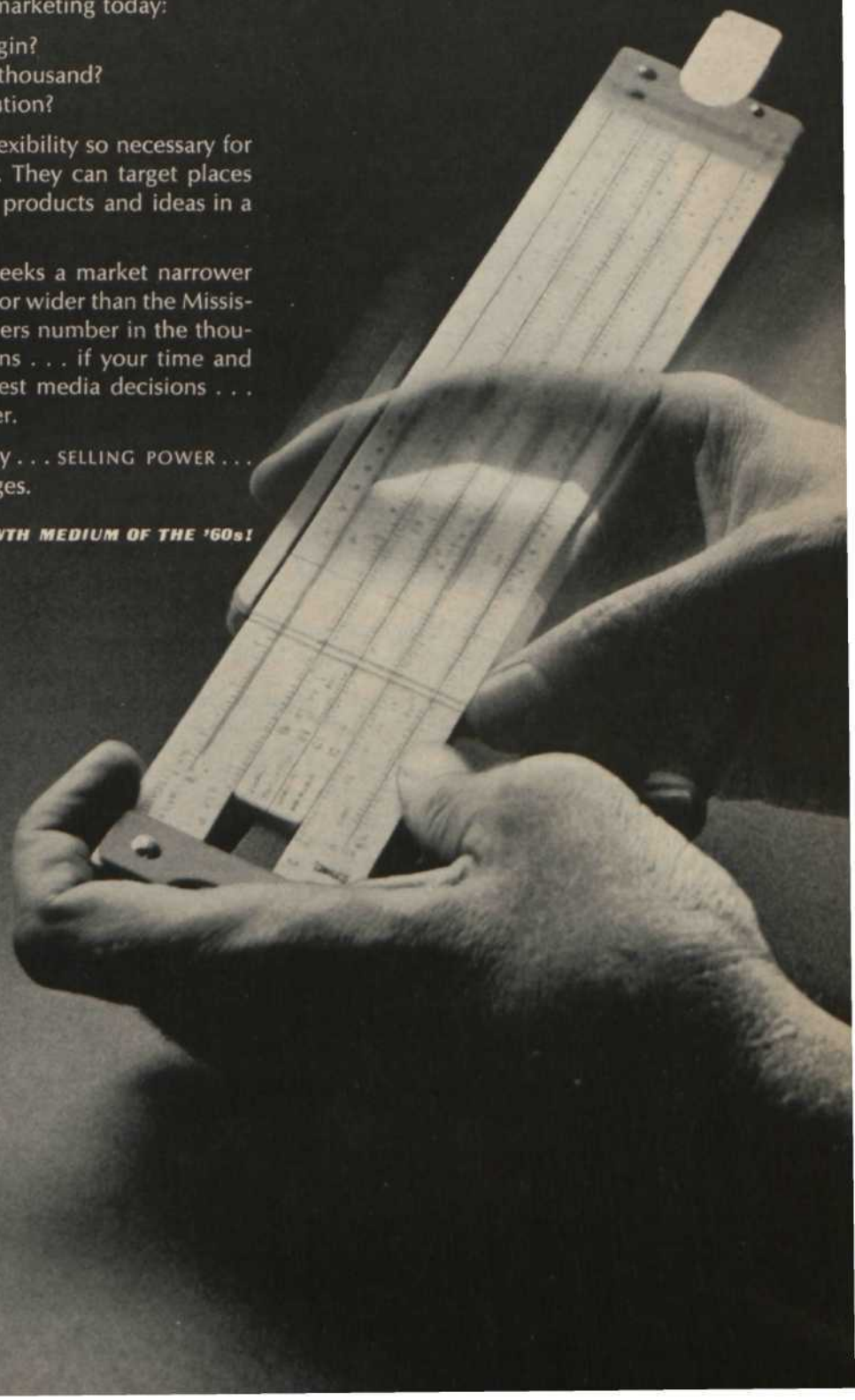
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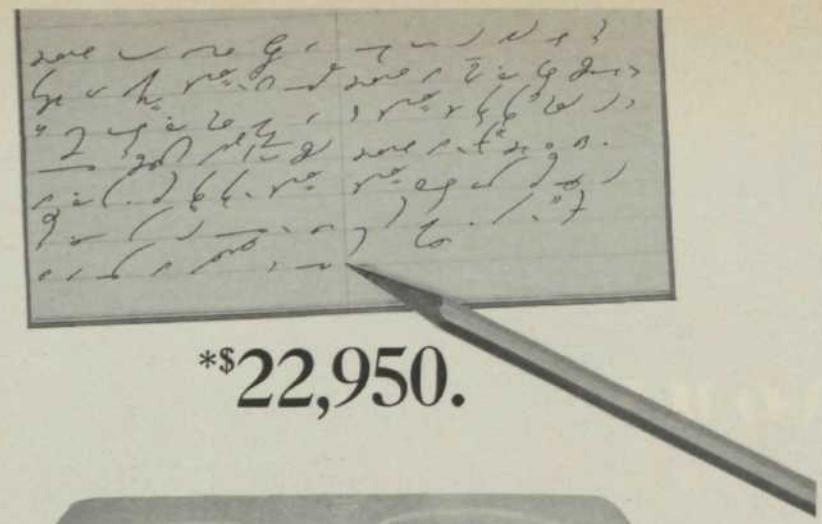
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U. S. REDS

continued

and others—for background material. They are also used as supplementary texts in some schools.

It is a sad fact that part of the reason for the gain of communism in the past 40 years has been the ignorance of noncommunists about communism.

During the short space of my own generation, we have seen world communism dominate about one third of the population of the earth and one fourth of the land mass of the earth and it seems it is therefore completely naïve to pooh pooh, to discredit, to discount, or to ignore the reality of world and domestic communism. **END**

EXECUTIVE TRENDS

continued from page 21

ords of some of America's leading companies. Here's the reasoning behind his forecast:

First, he sees office mechanization adding to and often multiplying the total amount of paperwork involved in a business operation, "since mechanization breaks transactions down into separate bits and pieces."

Second, he foresees more companies growing in size—and greater size, he says, means more paperwork.

Third, more reproduction and duplicating machines are in use, and they usually mean more paperwork. "Such equipment," Mr. Leahy asserts, "seems to release latent desires in many of us to make more copies of things. Sometimes these copies serve a worthwhile, business-building purpose. Sometimes they are useless, merely adding to the heavy cost of processing, handling, filing and finding documents."

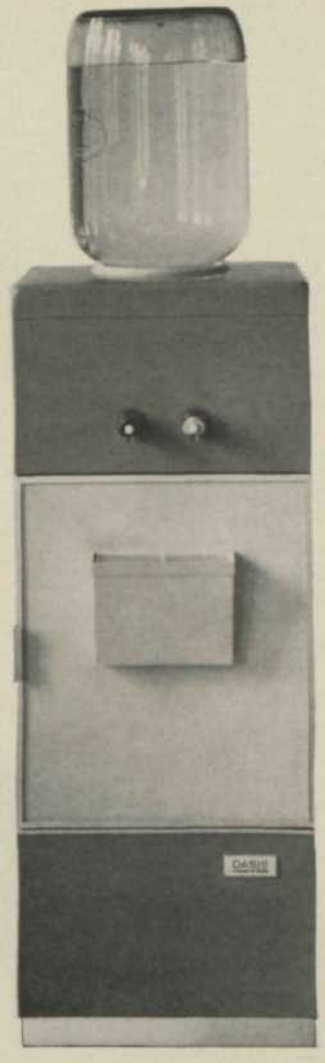
Mr. Leahy argues that microfilming seldom eliminates paperwork, since few companies throw away originals and copies of records that have been microfilmed. "The best paperwork economy," he says, "is to eliminate the creation of paperwork in the first place."

• • •

Watch for a new report on the supply of and demand for engineering technicians in the United States. Report is being readied by the Manpower Panel of the President's Science Advisory Committee, will be released early this summer. **END**



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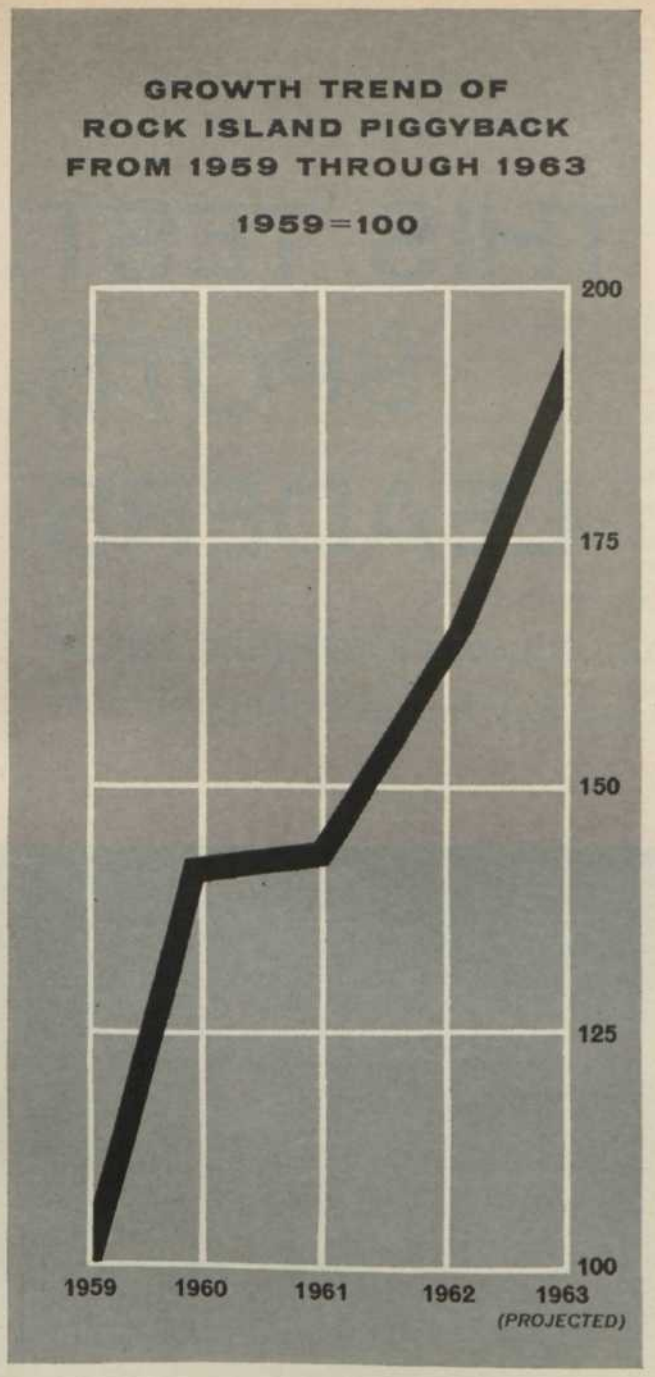


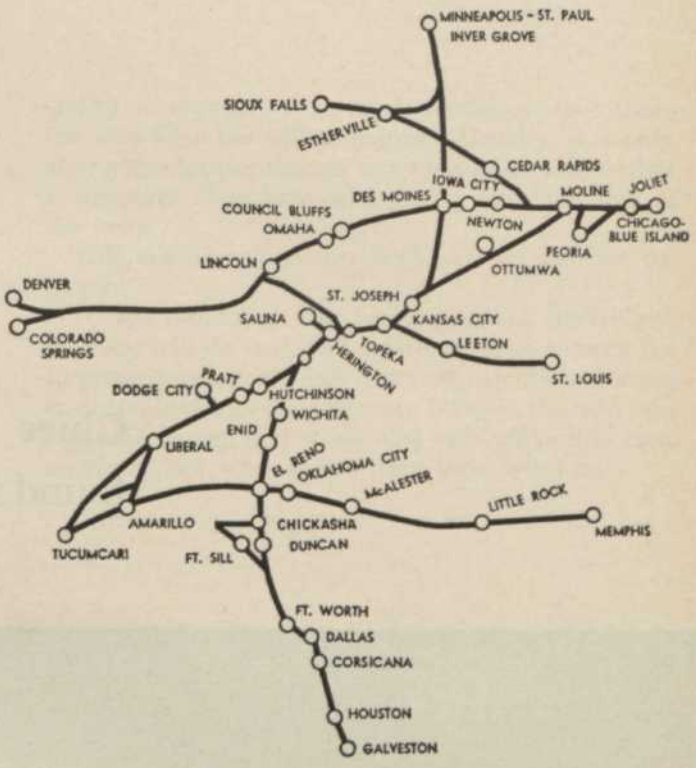
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THIS TEST SPOTS LEADERS

Clues to a manager's potential can be found in the way he's handling job now

Whenever one of your subordinates is being considered for a job that will require more independent action, ask yourself these questions about him:

1. Think back to the last several times something went wrong in his department. Did others get the impression that this man was:
 - ☐ a) largely responsible for the mistakes?
 - ☐ b) only slightly involved?
 - ☐ c) entirely free from blame?

2. When he has complaints, does he discuss them mainly with:
 - ☐ a) men at his own level or below?
 - ☐ b) his superior?

3. Recalling the last few times that this man came up with suggestions, did they tend to be about:
 - ☐ a) objectives?
 - ☐ b) methods for achieving objectives?

4. With his colleagues and subordinates, is he:
 - ☐ a) completely and consistently friendly?
 - ☐ b) slightly aloof on some subjects?

5. When he talks about important company decisions, does he refer to them as something that:
 - ☐ a) we did?
 - ☐ b) they did?

6. In his work has more than half of his time been spent handling:
 - ☐ a) recurring subjects that vary mainly in detail?
 - ☐ b) subjects to which entirely new answers have to be devised repeatedly?

ONE OF THE MOST rewarding accomplishments in business is identifying the men who really make an operation go.

Whenever a promotion or replacement has to be made or an expansion program forces you to pick men who will have more responsibility, you may discover that no one is quite sure which executives have been the driving forces and which have merely moved along on the momentum of the others. Both types are needed, but the few real pushers and risk-takers are the heart of any business.

It is hard enough to find men who have the knowledge, experience and judgment to run things—the ability to manage; it is much harder to spot those few who have the will to manage. Usually, it is only after a spectacular success or a resounding failure that a company recognizes who really likes the feel of the helm.

This questionnaire can help you to narrow the search.

It will not spot the real managers unerringly. Nothing will do that. But it will serve as a check list to prevent oversights and call your attention to areas that usually make the difference between the men who can take charge and those who may make fine crew members, but who shrink from lone decisions.

7. After he has expressed a definite point of view on a decision that is hanging fire, does he:
 - ☐ a) keep pushing hard to make it go his way?
 - ☐ b) quickly defer to the majority if the tide is against him?

8. Since he took up his present responsibilities, do you have the feeling that:
 - ☐ a) he has fitted in with the way his department operates?
 - ☐ b) some of his colleagues have changed their ways to suit him?

9. Whenever he has been unhappy about something, have his complaints centered on:
 - ☐ a) a specific person or action?
 - ☐ b) the way things are going in general?

10. If an idea is presented to him and he disapproves, does he:
 - ☐ a) point out flaws?
 - ☐ b) suggest another course?

11. Whenever he has a dispute with a colleague, does it tend:
 - ☐ a) to persist strongly?
 - ☐ b) to smolder?
 - ☐ c) to flare up and then end?

12. When he has to go ahead with a course of action that some of his subordinates oppose, does he seem:
 - ☐ a) to be cheerfully oblivious of the opposition?
 - ☐ b) to be genuinely troubled at having to force his way?
 - ☐ c) to be reluctantly determined to go ahead anyway?

To see how the profile of this man, as outlined by your answers, compares with the type who stands up best under the strain of leadership turn to page 70.



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TEST ANSWERS

for questions on page 69

1. Either (a) or (b) is the answer to hope for, depending on what level of responsibility this man now has in his department. A certain number of mistakes is going to be made in every operation. The man who is judged to be responsible for these is also likely to be the chief cause of the triumphs—although credit for success is often harder to trace.

2. (b) is preferred. The man who goes to his superior with a complaint means to get something done. The one who chews it over with everyone else is seldom the real managerial type.

3. (a) has the edge. Suggesting methods for achieving objectives is all to the good. But when you find the rare individual who thinks along with top management about where the company ought to be going, you have probably spotted a man who can handle bigger problems.

4. (b) is preferable. A man who is raised above others, given a greater responsibility, must inevitably do things that tread on toes. The size and politeness of modern business practice often obscure this for long periods of time. But that only sharpens the distinction when the boss has to criticize one man, promote another, transfer a third, and perhaps even fire a person who had come to think of him as a friend. A manager who can't help becoming personally involved with the men around him will hurt himself and his subordinates much more when those difficult moments come.

5. (a) is obviously the answer to hope for on this one. But it is surprising how few executives really think of themselves as part of management. At a recent conference where several groups of experienced businessmen debated the responsibilities of management, it was noted that very few of the statements reflected a feeling that the speaker was part of the managerial circle. One man after another stressed the need for changes in management, but most of them seemed startled when reminded that they were actually calling for changes in themselves. So if your answer reveals that the man mentally includes himself in the praise and blame for what the company is doing, you have spotted an important trait.

6. (b) is the response wanted here, and again it is a readily apparent one. Note in this case, however, that the less favorable answer does not necessarily reflect against the man's will to take responsibility. It may mean only that he has not yet been given the chance. But it is still a warning that even though his present work may be very important in its own way, a change to duties requiring creative decision-making will be a very new departure for the individual. As a group of British business experts—Management Selection, Ltd.—recently pointed out, more and more executives today work on programed subjects that are routine or capable of delegation. But it is still the nonprogramed areas that separate the managers from the managed.

7. The man who earns an (a) answer on this question will make things run, although he may often seem a nuisance to those around him. To understand why, imagine a whole management team made up of agreeable fellows who are quick to understand and adjust to a majority view. This need not mean yes men, for there is not even one dominant figure on hand to whom they must nod. They are just a fine group of entirely reasonable men. Will the company ever move, grow, adjust to new situations? Certainly not.

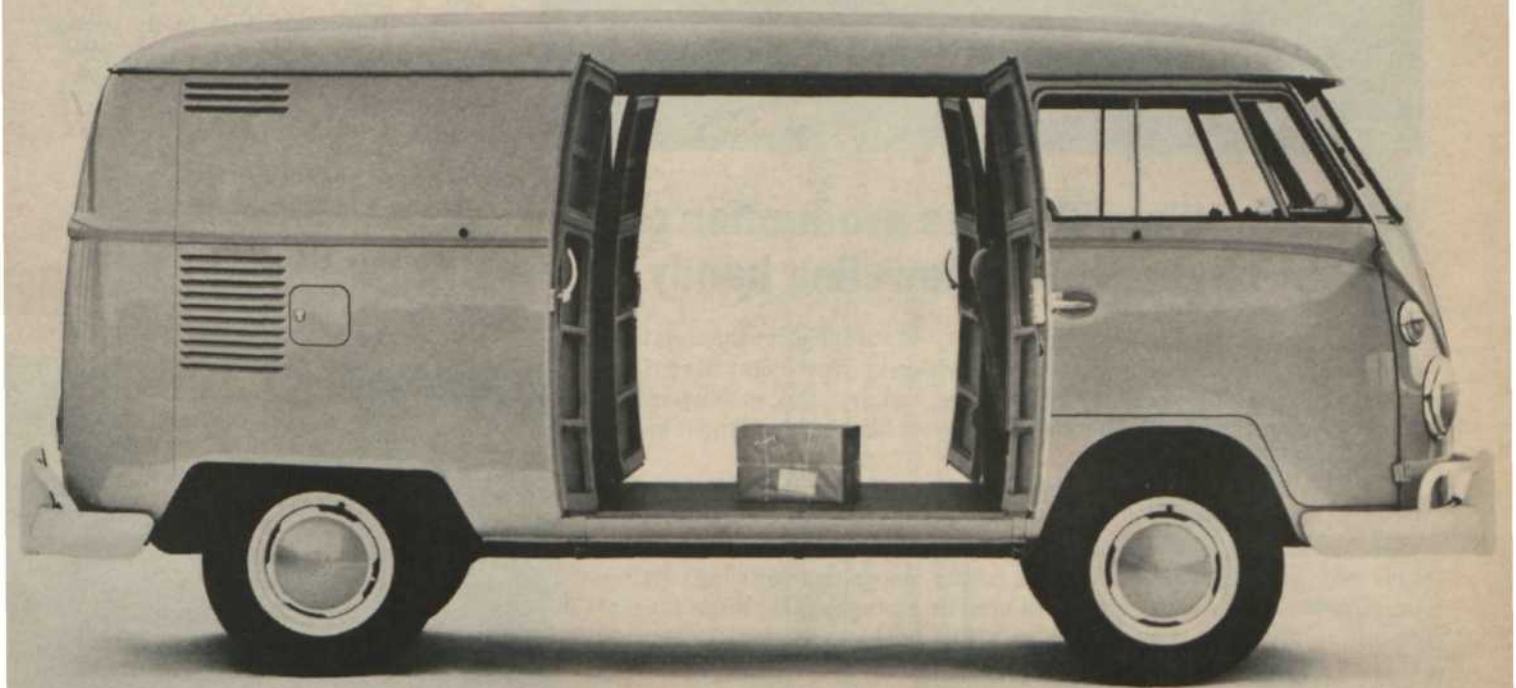
8. (b) is best in this case. Managing involves give and take, it is true. So it is not suggested that you look for a man who must dominate in every situation. That, in fact, is often a sign of insecurity. But a compliant individual who quickly senses the accepted pattern of behavior in a new environment and brings nothing of his own to it is like an empty vessel that can only take in and cannot give out. Most men who will ultimately make good managers are apt to win some concessions from others in the way things are done.

9. It may be a surprise that the preferred answer is (a). The other choice—complaining about things in general—is not at all a sign of broad-gauge thinking. It is the mark of either a malcontent or a fuzzy thinker who knows that something is wrong, but doesn't focus on just what it is.

Picking out the specific person or action that is at the core of his complaint is a sign that this man is at least trying to think through the problem on his own.

10. Here the answer (b) is the mark of the better manager. Many men of good judgment play an important role as staff members by calling attention to dangers in a suggested plan. But only a few among them are equally anxious to

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TEST ANSWERS

continued

take the next step and propose how the approach can be improved.

11. (c) is the response to hope for. It means that the person has a knack for confronting others with a strong difference of opinion and yet not leaving a permanent scar. A man who doggedly continues to feud with a colleague or who lets bad feeling simmer destructively below the surface is either incapable of making his point convincingly or too lacking in confidence to accept a defeat.

12. (c) is again the first choice. Anyone who seems to care nothing for the approval of other men may be putting on an act; if not, he is dangerously self-willed. At the other extreme, the sensitive man who suffers from the knowledge that what he is doing seems wrong to some of the persons around him will probably end up with serious physical symptoms if he has to face such a task often. The manager who is likely to weather this recurring discomfort best is the one who notes the disapproval, weighs it carefully, then reluctantly goes ahead without too long a period of anguish.

The unique quality

If you find that the man you are looking at merited the preferred answer in eight or nine of these situations, he probably can stand solo responsibility.

Perhaps you noticed that half of these questions were related to conflicts, differences of opinion, or times when things go wrong. That is not because half of an executive's life is necessarily involved with trouble. It is because trying times are the test of a forceful manager. Many men sparkle when things are going well. They are of great importance in rounding out all the skills that make a company whole and consistent. But they may have only enough drive to keep things rolling after someone else has given the big push. The men who can keep their operations moving when the climb gets steep, or who can get them started again after they have sputtered and stopped, have a unique gift for which there is no substitute. —CHARLES A. CERAMI

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Public projects abroad offer U. S. big market

Social sector spending of European countries is weighed by the Economist Intelligence Unit

A 50 PER CENT RISE in output over the next decade . . . a process of modernization unparalleled in history . . . systems which involve a large measure of prefabrication.

These key phrases are from a recent speech by Geoffrey Rippon, United Kingdom minister of public building and works. The speech was not made in England. It was delivered to a convention of American builders in Las Vegas. Subject: the U. K. construction industry.

While Mr. Rippon's remarks may sound like wishful thinking, recent British plans for large-scale public investments—stretching into the 1970's—will place heavy demands on an already overloaded construction industry and generate new business opportunities for Americans.

The state has long played an important investment role in the U. K. But the new plans reveal a fresh, conscious effort to channel proportionately greater resources into what is called social investment—schools, public housing, clinics and hospitals. Since 1960 social capital spending in England has grown at a faster rate than government spending as a whole.

A mounting concern for social welfare, reflected in future investment plans, is now evident in much of Western Europe. And where economic development programs exist, as in France and Sweden, social capital spending has been given prominence.

For the United States exporter there is not only the opportunity offered by steeply rising outlays on equipment and machinery. Even more exciting is the challenge of innovation in what will be a progressively bigger market. U. S. sales of construction equipment to Europe are now well over $100 million. This could be just an appetizer.

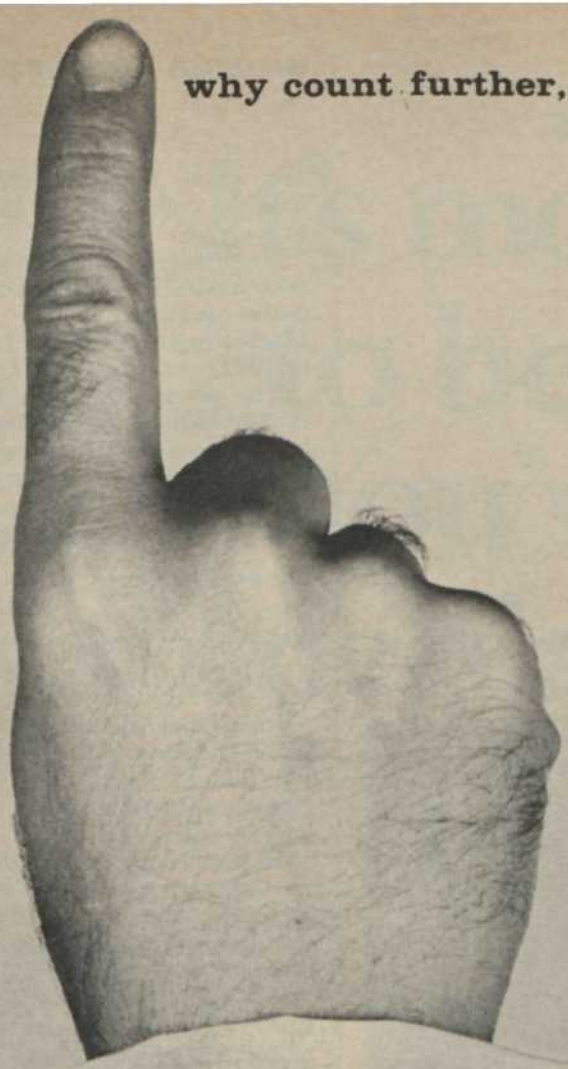
In recent years most European governments have been swayed by welfare arguments. But they have been prevented from following them up because the construction industry in general has been troubled by steeply rising costs. In addition, public spending has more than once been deeply cut to ease general demand pressures.

Housing construction in Western Europe has suffered in this way. Actual spending in many cases has risen, but from 1959 to 1962 this

GLOBAL TRADE TRENDS

Look to booming Australia, where large bauxite and iron ore developments will require equipment. . . . Imports are rising rapidly again in development-minded Malaysia; and Japanese acceptance of IMF Article Eight means that import growth there cannot be as easily subdued as in the past. . . . Turkey, largest single market for U. S. goods in the Middle East, will increase its share of AID-financed imports this year. . . . In Europe, spotlight on Spain, where equipment will be needed for refinery and petrochemical works and to advance the building boom; in the Common Market rising prices may compensate for tariff disadvantages in supplying Germany's growing investment and consumer needs. . . . Keep an eye on Mexico, where a vast telephone re-equipment program is under way. . . . The Venezuela manufacturing sector is burgeoning. . . . Canada's market, too, may be widened by heavy construction plans.

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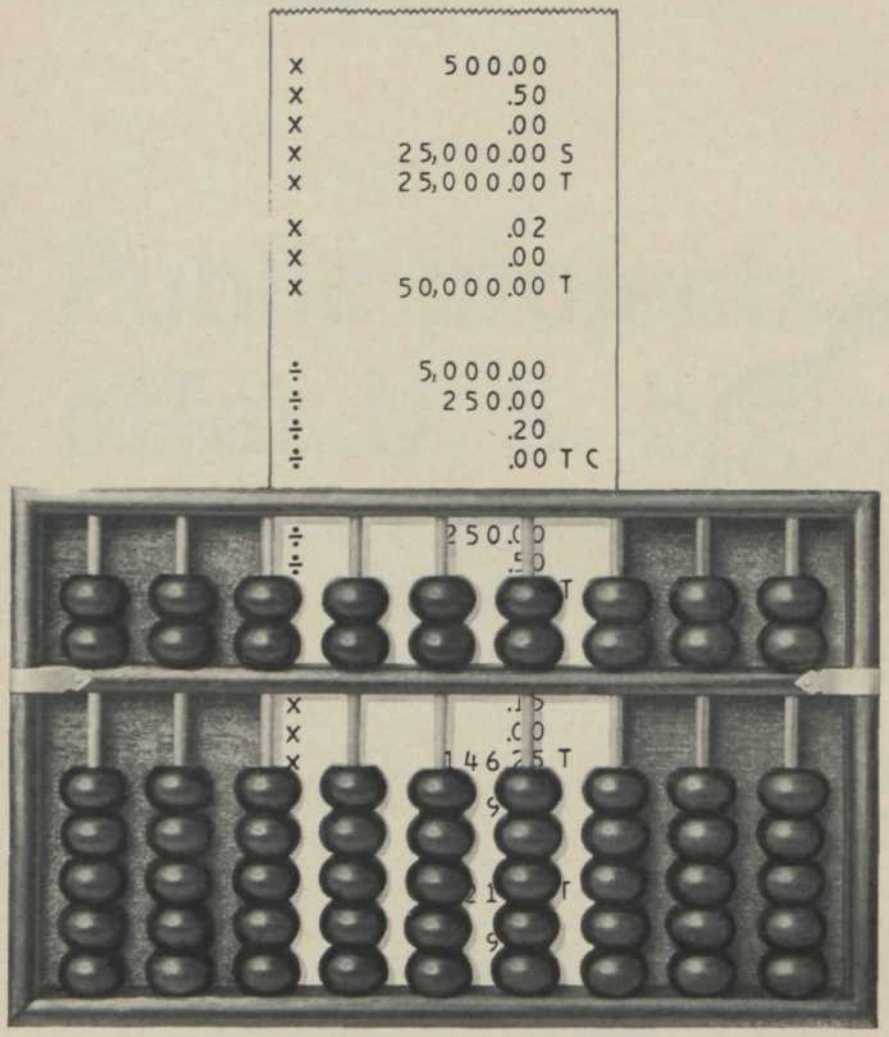
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was often more a reflection of inflated costs than of growth in real output.

Nevertheless, some progress has been made. The number of housing units completed in the Common Market reached a peak of 1,350,000 in 1962.

The severe European winter of 1962-63 halted construction activity, but the recovery in home-building since then has been sharp. In all major West European countries the industry is now booming.

Margins are due

In the past year most of these nations have taken steps to prevent overstrain in the economy. Yet, with the exception of West Germany —where housing subsidies have been pared—housing activity has been left alone. With this attitude, further noticeable gains in output will be made this year.

Higher living standards will be an important factor in future European housing demand. Long-term plans covering such countries as France, Sweden, the Netherlands and England indicate housing activity will rise on a par with gross national product (total national output). This means a rise of four to five per cent a year up to 1970.

Even at this rate, United Nations experts have forecast that in some cases housing investment as a proportion of total fixed investment may fall. But this is probably taking too pessimistic a view of the industry's ability to break through into new techniques and higher productivity.

In any case, special priority is being given to education and health which will ensure that what's called social capital spending as a whole rises smartly in the next decade.

Most European countries in the late 1950's were already beginning to boost total educational spending faster than gross national product. Capital expenditure on education, representing a more or less constant fifth of the total, has been rising quickly, too.

But even now, only a few countries, notably France, the Netherlands and Sweden, have integrated programs of educational building. Temporary plans abound, and many countries, including Britain, are moving toward a comprehensive approach.

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education. For example, the U. S. hopes to accommodate almost double its present number of college students by 1970. But almost equal in its demands on the school-building program in many countries is the aim to raise the age at which students may leave school.

How much will it cost? The answer is not simple. But estimates have been made that show total capital investment on education at $2 billion in Western Europe and $5 billion in North America in 1960. Expectations are that this will double in Europe by 1970 and rise to $8 billion in the U. S.

Spending on hospitals and clinics is taking similar shape.

In 1962 the Common Market countries averaged 9.56 beds per 1,000 population, compared with 9.5 in the U. S., 10.5 in the U. K. and about 15 in Sweden.

France is in the middle of its third hospital plan. Britain has $1.7 billion scheduled for such building in the next 10 years.

The stress on enlarged social capital spending appears more pronounced in Western Europe than in the U. S. This attitude is epitomized by the willingness of governments to make special arrangements to secure funds for housing and other social goals. This will require a revolution in the organization of the construction industry. Ways will have to be found to tackle rising materials and land costs. In part the answer will be with improved town and regional planning.

But the real need in the battle for greater productivity is for new techniques, new materials and greater mechanization. Here lies the major opening for the U. S. exporter. For already the ball is rolling. Progress is being made, helped by greater standardization of building and the use of prefabricated units, and more is being spent on research into new equipment. **END**

Your city need rebuilding? Way that local initiative can do the job is told in article starting on page 34



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TURN ANGER INTO AN ASSET

These practical hints can help you to redirect your feelings of hostility into less destructive channels

ANGER PUSHES its way into business as it does into all human activity.

Much of the time it destroys good relations and efficiency but it can be turned into a constructive force.

By being aware that anger is a part of his personality and by understanding some of the ways to deal with it, an executive can reduce the harmful effects which anger can have on himself and his co-workers. A manager first should consider how and why his own anger arises, and how it can show up in situations involving other people.

Fundamentally, anger is hate. "Hate I consider as an internal sin," says former Marine Corps Commandant Gen. David M. Shoup. "And hate is closely associated with fear. I think fear breeds defeatism and that is a disease we cannot afford in this country. . . ." The general is right in several respects. Hate is closely related to fear because impulses to aggression, or hate, are necessary for self-defense. But anger can be self-defeating.

Anger arises when a man feels he may be defeated, even if the feeling is so subtle that he is unaware of it. Every person has weak spots—situations which are more provoking for him than for others. And if you threaten a person he will automatically go on the defensive.

That is what Don G. Mitchell, chairman of General Time Corp., means when he comments, "How do you go about making things happen? Is it a case of applying more pressure? Is it a case of making the boys walk up and down the wall? Do you get yourself a sharper and longer needle? No, you don't do any of those things because all that's doing is pushing the door shut."

Several guidelines can be helpful in managing anger.

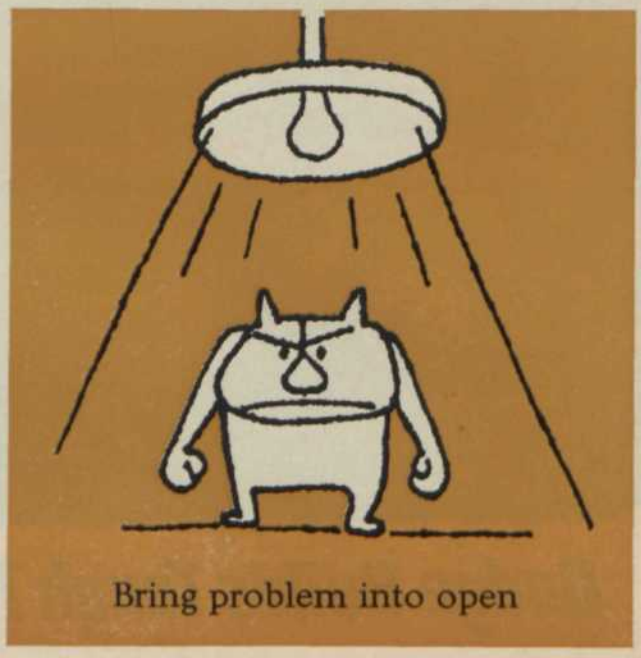
► Find out what's making you mad and direct your energies toward getting it under control.

For example, it's not unusual for executives to be angry with a subordinate because of below-average performance. It is equally common to have differences with colleagues.

Frequently, however, executives do not talk to the people with whom they are angry about their feelings of anger. They act as if the problem will go away if they do not discuss it.

Sometimes it does. But more often it festers. The executive finds himself avoiding the other person, pretending joviality or quibbling over minor matters. He continues to be irritated. It is far better to get a problem out in the open where it can be discussed and resolved. That way anger can be used constructively.

► Be careful not to direct your anger against helpless targets.



Bring problem into open

Many people frequently find they can't discharge their anger at those who provoke it—or solve the problems which created their frustration in the first place. So they discharge their anger at helpless targets. Some men pick on their wives and children. People tend to look for scapegoats less powerful than they are, or who must take their hostility, or from whom they can easily escape. Store clerks, public officials, waiters, maids, subordinates, children are frequent victims.

An ordinarily gentle man may snarl at another driver because in a few minutes he will escape the other and never see him again.

The same thing happens to some managers who act as though they will never run out of subordinates. The head of a large savings and loan office, now in his mid-fifties, has been highly successful and is widely known throughout the industry. He sees himself as a firm disciplinarian and taskmaster—the best kind of boss for developing others. His subordinates, however, regard him quite differently. They find him unjust and intemperate.

They are aware that he needs to have a whipping boy; he is always highly critical of at least one of his subordinates and rides him so hard that the subordinate quits.

A few weeks later the manager will transfer his highly critical attitude to another subordinate and the cycle resumes.

► Understand that sometimes when people become angry at you they are not necessarily angry with you.

If you are in a position where it is easy for people to attack you, some will use you as a substitute for the real causes of their anger. These causes may be themselves, their husbands, wives, bosses or parents.

If you are responsible for supervising people who are in such a vulnerable position, help them understand that one of their job hazards is the likelihood that customers or clients may at times become inappropriately angry at them.

This does not mean that you should disregard customer complaints about your own or your subordinates' work, but it does mean that you will have to take this point into consideration.

Another side of this problem is how you—and your subordinates—react to criticism of your work. Everyone's performance is evaluated in some way. Even the most powerful executive is judged by his board, his stockholders, his creditors, governmental bodies or his customers.

Criticism of performance is not criticism of the person as a person. Although it is extremely difficult for people to keep these two ideas separate, unless they do they will have problems, for no human relationship is free of criticism.

Criticism is a necessary precondition for growth, provided it is directed to the way a job is done and not to the person himself. When evaluating a subordinate, focus on job performance. If you are being evaluated try to help your superior concentrate on how you do your job. You might even ask what he thinks of various aspects of your work if he has difficulty recalling details.

Robert C. Wheeler, vice president of Corn Products Co., points out that one of the most effective ways of determining the potential of managers is to observe them, and that such observation is the responsibility of line management.

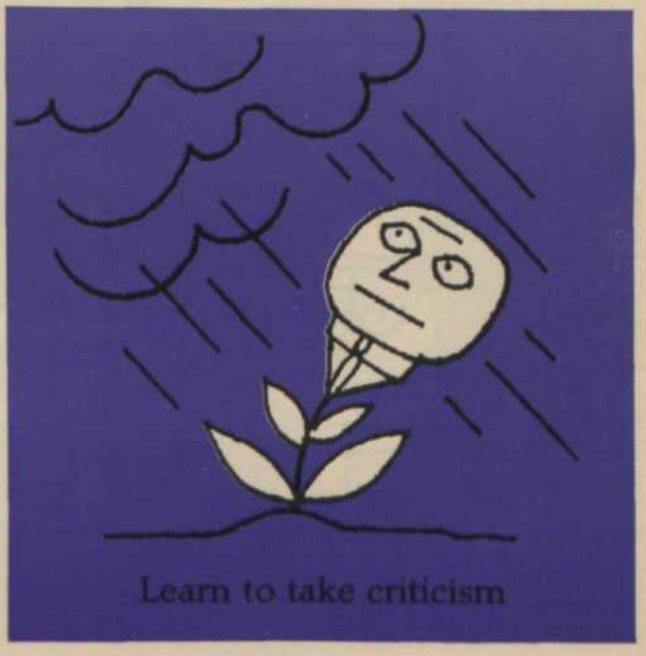
"On the other hand," Mr. Wheeler adds, "the subordinate has a responsibility to communicate upward. He must keep his superior informed about what he is doing."

The superior cannot observe all of the subordinate's performance.

► Keep cool. When someone becomes openly angry with you, that is his problem, not yours.

There is much truth to the saying, sticks and stones may break my bones but names will never hurt me. Words will not hurt you. If you are wrong, a simple apology and whatever amends are necessary are





TURN ANGER INTO AN ASSET

continued

enough. If the other person persists in criticizing you or in trying to make a fight of it, something is itching him. You do not have to respond to his itch.

If you understand such behavior to be his problem, you will be less likely to respond with anger to his anger and become a participant in an emotional battle. Don't lash back at him or bend over backward trying to appease him. Both reactions will merely aggravate the situation. Extended apology tells the other person you feel you were wrong. It also lets him know you fear his anger. Like lashing back, it tends to provoke more attack. Make clear that while you won't trade hostile remarks you will not permit yourself to be exploited.

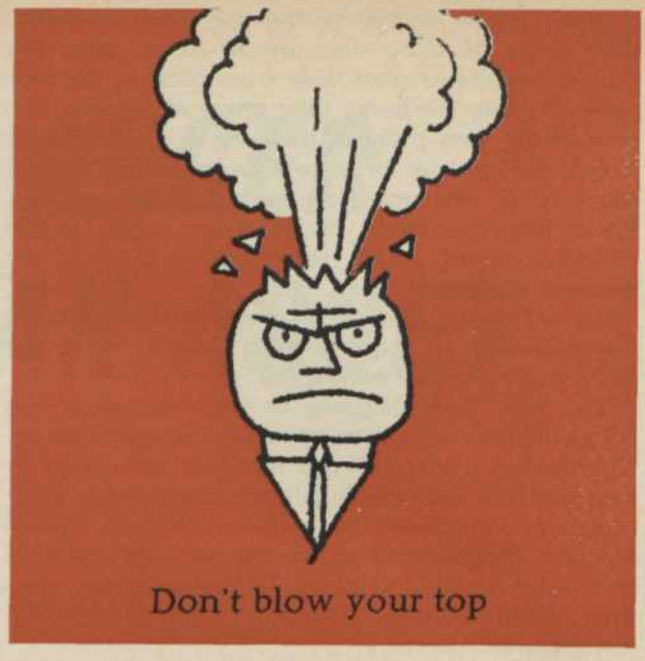
Sometimes people systematically use anger as a device for cowing others, knowing that most people back off from angry scenes.

Nothing reduces them to good manners as quickly as stating in a calm voice that you will not let yourself be attacked. When a man is victimized by others, it is often because he permits it or even unwittingly encourages it.

Sometimes subordinates or associates are testing to find out how far they can go and when someone else will take a firm position. Often they do this unconsciously.

The late Irenee du Pont, one of three brothers who led E. I. du Pont de Nemours & Co. from a small explosives manufacturing concern to the position of the world's largest diversified firm, felt that sometimes a man has to swear at his colleagues to drive home a point. But this does not mean that anger should be used as a whip or club, for that will only produce fear, resentment and rebellion. Anger used this way should be used sparingly.

► Another way in which becoming angry can be a step toward solving a problem is to channel the anger into competition. A man whose competitor gets ahead of him wastes his time just getting mad about it. But if his anger becomes a stimulus to finding new competitive advantages for his firm—in the form of innovations in products or services—then he has turned it to constructive use.



Virgil B. Day, vice president for management development and employee relations services of General Electric Co., recalls this experience: "Four years ago the Japanese made their initial push with a shirt-pocket transistor radio which spectacularly undersold domestic markets."

Instead of responding with angry demands for high tariffs, GE was spurred to tackle the problem head on.

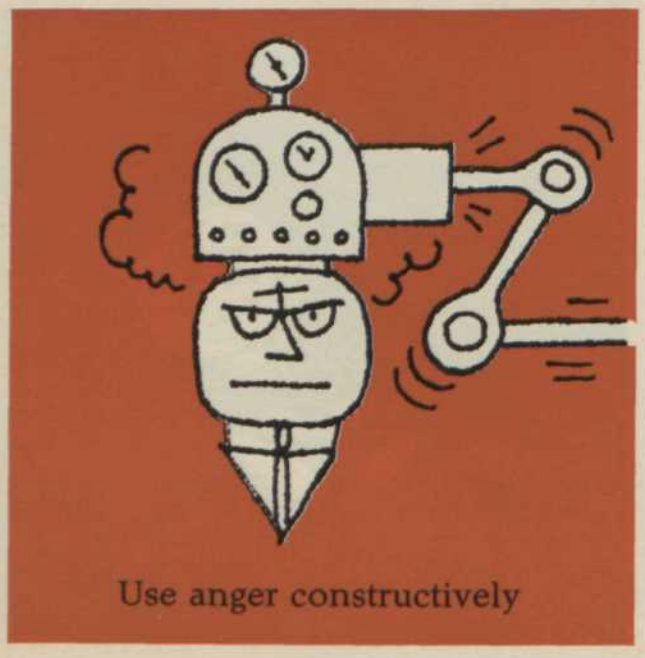
It redesigned its products, obtained cost-cutting ideas at all levels and got union cooperation in adopting more efficient methods.

"Where we once had doubts about our ability to keep on our 1959 labor force," says Mr. Day, "today we are employing one third more people in this operation."

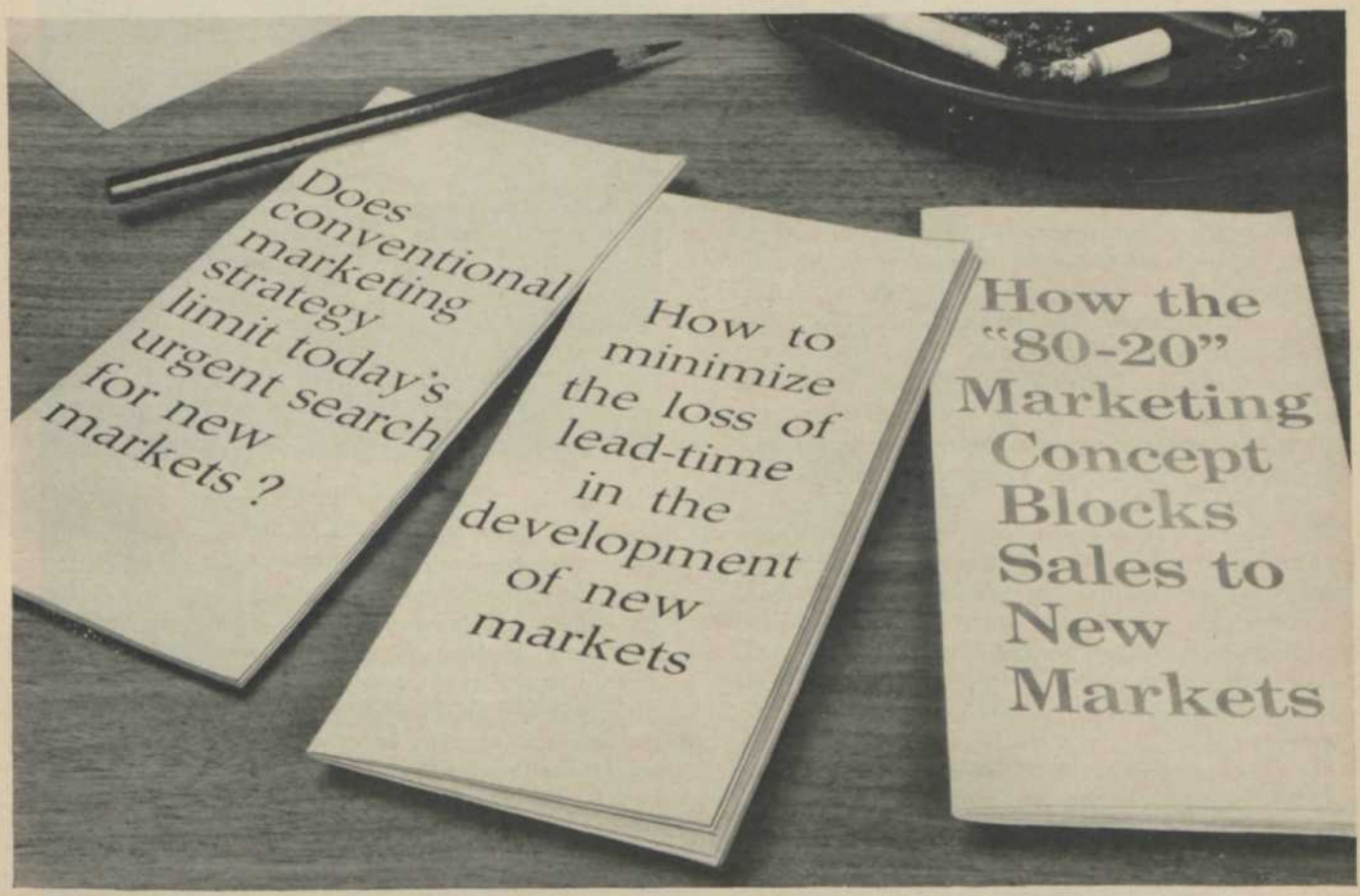
► It's easy enough to know when you are clearly angry with someone. It is much harder to be aware of subtle hostility. Much of the time we overcontrol our angry feelings or turn them unwittingly on ourselves.

The man who is always clapping a lid on his anger, pretending he is not angry, is a good candidate for psychosomatic illnesses or worse. He is like an automobile driver who is racing the motor with one foot and applying the brakes with the other.

A man who constantly sits on his own emotions loses some of the spontaneity, sparkle and initiative he could have if he let himself be more free. Restraining or denying his emotions forces him to keep up his psychological guard continuously, an effort which requires much of his energy and literally wears out body organs, increasing the likelihood of hyperten-



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sion, headaches, coronary disease, intestinal disorders and so on.

More than half the people who visit their family doctors seek help for illnesses which are psychological in origin. Fully 90 per cent of headaches, in the opinion of one neurologist, are psychologically caused.

New York Telephone Co. physicians who studied 3,400 employees reported that 25 per cent of them accounted for more than half of all the disability, approximately two thirds of all days of disability and a similar proportion of the cost of sickness.

The problems of these employees were primarily psychological and the doctors concluded, "Attention to an unsatisfactory life situation may be more important than any other aspect of treatment."

Some forms of self-destruction, such as suicide and alcoholism, are evident to everyone. Most self-destructive behavior is not recognized as such. It is often passed over as poor judgment or immaturity, as in this actual example:

An experienced, conscientious assistant to a corporate vice president does not seem to be able to accept a decision as final. He continues to talk about the issues. His persistence, which goes beyond good taste, annoys his colleagues and superiors. Occasionally, when he pursues the subject in the presence of others outside the firm, his talk can be very embarrassing.

He does not mean it to be so, and he is not consciously trying to be difficult, but he continues this undesirable behavior even though it has been pointed out to him. The self-defeating aspects of his actions lie in the fact that he will not be given more responsibility. Some day someone is likely to become angry enough with him to fire him, despite his conscientiousness.

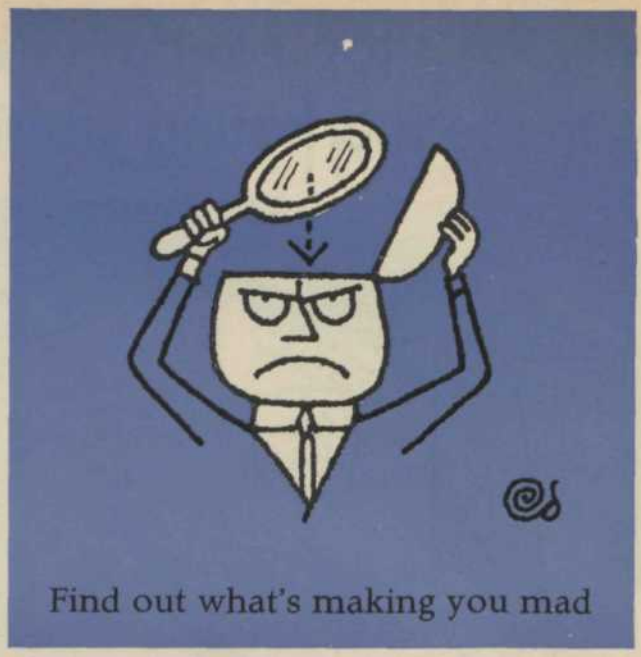
► When you are angry, your judgment is impaired and you are not likely to act constructively. The angry man is like the old fire horses which jumped into harness position the moment they heard the fire bell. A man cannot tell a false alarm from a real one until he has had a chance to take a good look at the situation—and some people, once aroused to defense, are never able to take a second look. They are too busy defending themselves by attacking.

Sports, hobbies, home projects, travel, all serve a safety-valve function. Volunteer or service activities often enhance a man's self-esteem and provide gratifications that foster the constructive forces in his personality. The stronger these forces, the easier it is to deal with anger.

Fast action advisable

If anger threatens the stability and effectiveness of a corporate team, it is important to control it immediately. Otherwise it will mount in intensity until it becomes destructive. (See "The Cause and Cure of Personality Clashes," NATION'S BUSINESS, April, 1961.)

Once control has been established, then you can do



something about the anger. In such a situation avoid the tendency to concentrate on finding out who is to blame and to think the problem has been solved once the culprit has been found. It is too easy to find scapegoats. If there are problems which give rise to anger, it is far more constructive to have people talk the problems out, clarify them and suggest ways of working together more effectively.

Consider the common problem of cutting costs. Frequently a decision to intensify cost-cutting efforts results in pressure on first-line supervisors who in turn put pressure on the work group. Work groups often see dozens of ways in which money is wasted, ways which management cannot see because it is too far away. When the waste they see costs far more than they can save, the work group is likely to respond to cost-cutting pressure with a good deal of anger.

If the work group becomes turbulent in its anger, management is prone to blame inadequate supervision. And the supervisor is the closest managerial target to the work group so the employees find it convenient to protest his methods. The upshot is often the discharge or transfer of the supervisor. The employees may be temporarily pacified by the sacrifice of the supervisor, but the anger will recur until the underlying problem is met and resolved.

Anger is a strong and primitive feeling. It is the source of tremendous energy. That energy can be dissipated in various forms of explosion, which inevitably result in harm to a person, to a group of individuals or to a business. Or it can be harnessed and converted into problem-solving action. A fundamental task of every manager is to understand the origins, power and consequences of anger. Only then can he manage it sensibly. —HARRY LEVINSON, *Ph.D.*

REPRINTS *of "Turn Anger into an Asset" may be obtained for 25 cents a copy, $12 per 100, or $90 per 1,000 postpaid from Nation's Business, 1615 H St., N.W., Washington, D.C. 20006. Please enclose remittance with order.*



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WAY TO REBUILD

continued from page 35

under federal urban renewal? We couldn't take the chance. We can't afford the interest costs of investment money lying around idle while government moves at a slow pace."

Rochester has a tradition of local initiative. Immediately after World War II, seeing a need for low-rent housing for returning veterans, the city's leading bankers and businessmen joined forces and organized a nonprofit corporation to build a $1.1 million apartment project on land donated by the city. Two similar projects followed and all were opened to lower middle income families.

In the middle 1950's it became evident that special housing was needed for Rochester's aged citizens. The same group of civic leaders went to work and raised enough private capital to provide some apartments. Using a New York statute which permits limited-profit housing corporations to obtain mortgages through the state's borrowing power, they went on to add additional units and to construct two more projects.

John A. Dale, a vice president of Rochester's Central Trust Co., who had served earlier as the city's urban renewal director, has been a key figure in the development of these housing projects. He says:

"This city is one where the people try to do things through local effort and assistance. Almost every type of industry and financial institution in Rochester has been involved in these projects. Nobody has had to pay any additional taxes to finance any of them."

Ironically, it was this same local business group which came to the aid of the city when private developers were needed for the federal Baden-Ormond Project.

They erected the 184-unit middle income apartment complex which, to date, is the only new privately developed structure standing in the project.

It is Midtown Plaza, however, which has captured the imagination of Rochester residents and planners from other cities. Located on a 7½-acre section of the downtown business district, it is dominated by Rochester's tallest building, an 18-story office and hotel structure. The first floor lobby opens onto an enclosed mall somewhat larger than a football field. Open in the center up to its 60-foot-high ceiling, the mall—heated in winter and air conditioned in summer—is ringed by 40 stores on two levels.

The mall ties together the two original department stores, B. Forman Co. and McCurdy & Co., with the tower building. Both stores were enlarged and remodeled, and McCurdy added a six-story addition to its existing building. Also tied into the mall are the new Rochester Telephone Co. building and the 500-room Manger Hotel, another of the original structures. Under the Plaza is a 2,000-car, three-level public parking garage built by the city.

"Midtown was conceived in response to the challenge of suburban decentralization—a challenge which confronts in greater or less degree every city in the nation," Gilbert McCurdy says. It was conceived by Mr. McCurdy and his brother, Gordon W. McCurdy, and another pair of brothers, Maurice R. and the late Fred S. Forman.

Started in 1956

The two pairs of brothers were approached in late 1956 by City Manager Aex and Mayor Peter Barry with the proposal that the city build a garage near their stores. The city was then developing a series of municipal parking garages in conjunction with a new highway loop around the downtown area and highways leading to the suburbs. The brothers already had plans for building a garage themselves, but they realized that more than parking space was needed to revitalize the downtown area.

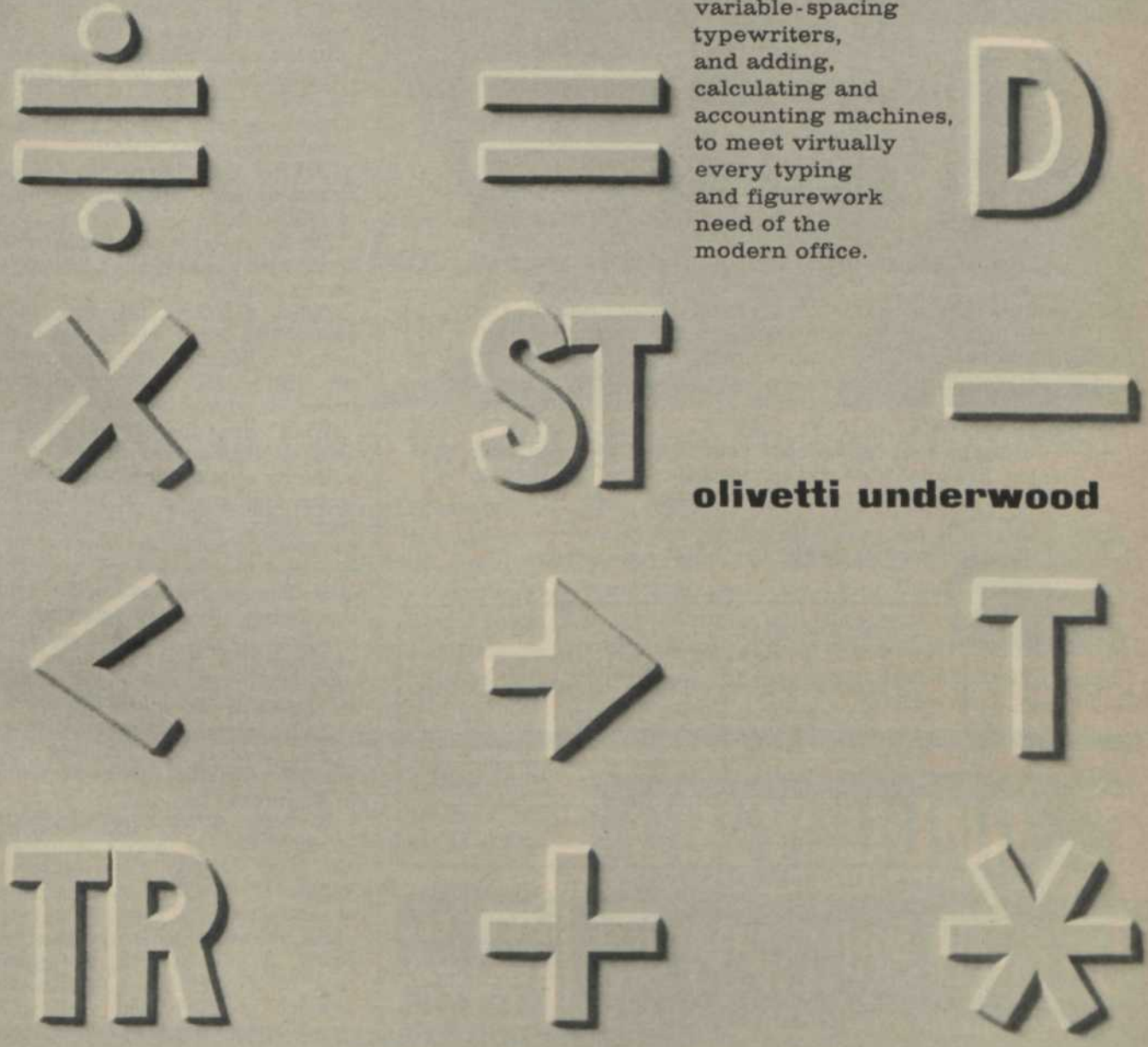
The idea of constructing the Plaza occurred to them, and architect Victor Gruen was assigned to draw up plans. They began privately buying the property adjoining their stores, then occupied by parking lots and a number of deteriorated commercial buildings. They put $5 million into the purchases.

In 1958 plans for constructing the Plaza were announced to the public, and the Rochester City Council agreed to build the $9 million underground garage, close a short public street which ran through the center of the projected Plaza and extend a major street which dead-ended nearby. The city's contribution was financed by a bond issue which will be liquidated by the $600,000 yearly income from the garage.

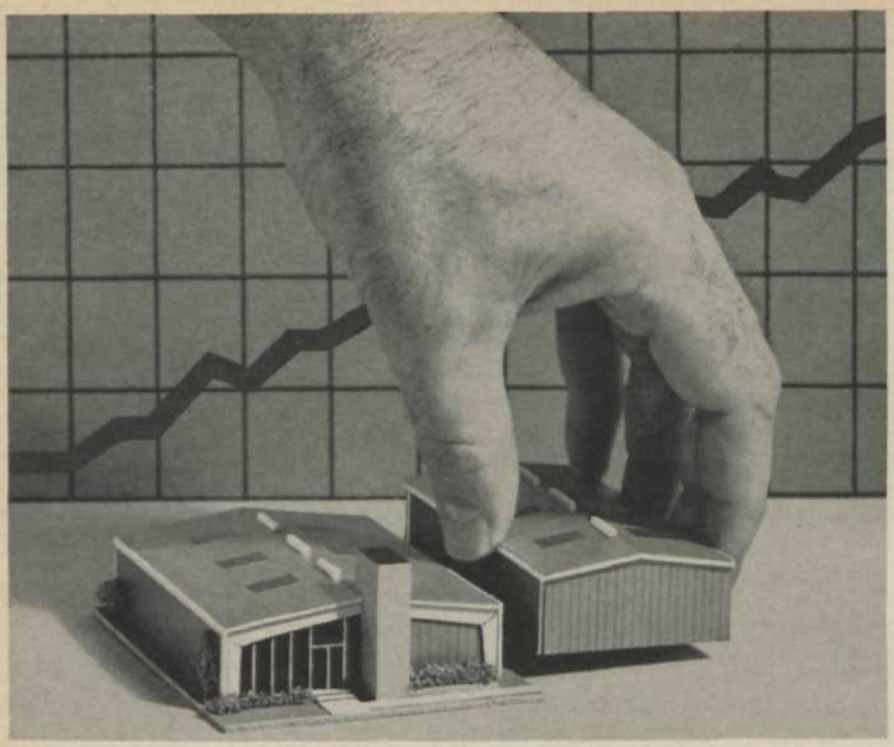
Using private financing, the Formans and McCurdys moved ahead and Midtown Plaza was completed in April 1962. Sales volume in the two department stores has turned around and headed up, and other

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WAY TO REBUILD

continued

retailers in the Plaza report more sales than anticipated. The office space is fully occupied.

In the past two years Midtown's success in renewing part of downtown Rochester has been multiplied by the building boom which has followed. Xerox Corp. has announced plans to locate its headquarters in a $20 million office complex to be constructed on an entire city block immediately across the street from Midtown.

"We have always been flexible in planning for our headquarters and this new development will suit our long-range needs very well indeed," Xerox President Joseph C. Wilson says. "An attractive block adjacent to the eminently successful Midtown Plaza will add immeasurably to the growing beauty of downtown Rochester."

In the meantime, businessmen in Genesee Crossroads are condemning the delay and uncertainty which accompany this federal urban renewal project. One says:

"Unless they hurry up and do something, some buildings are going to fall down."

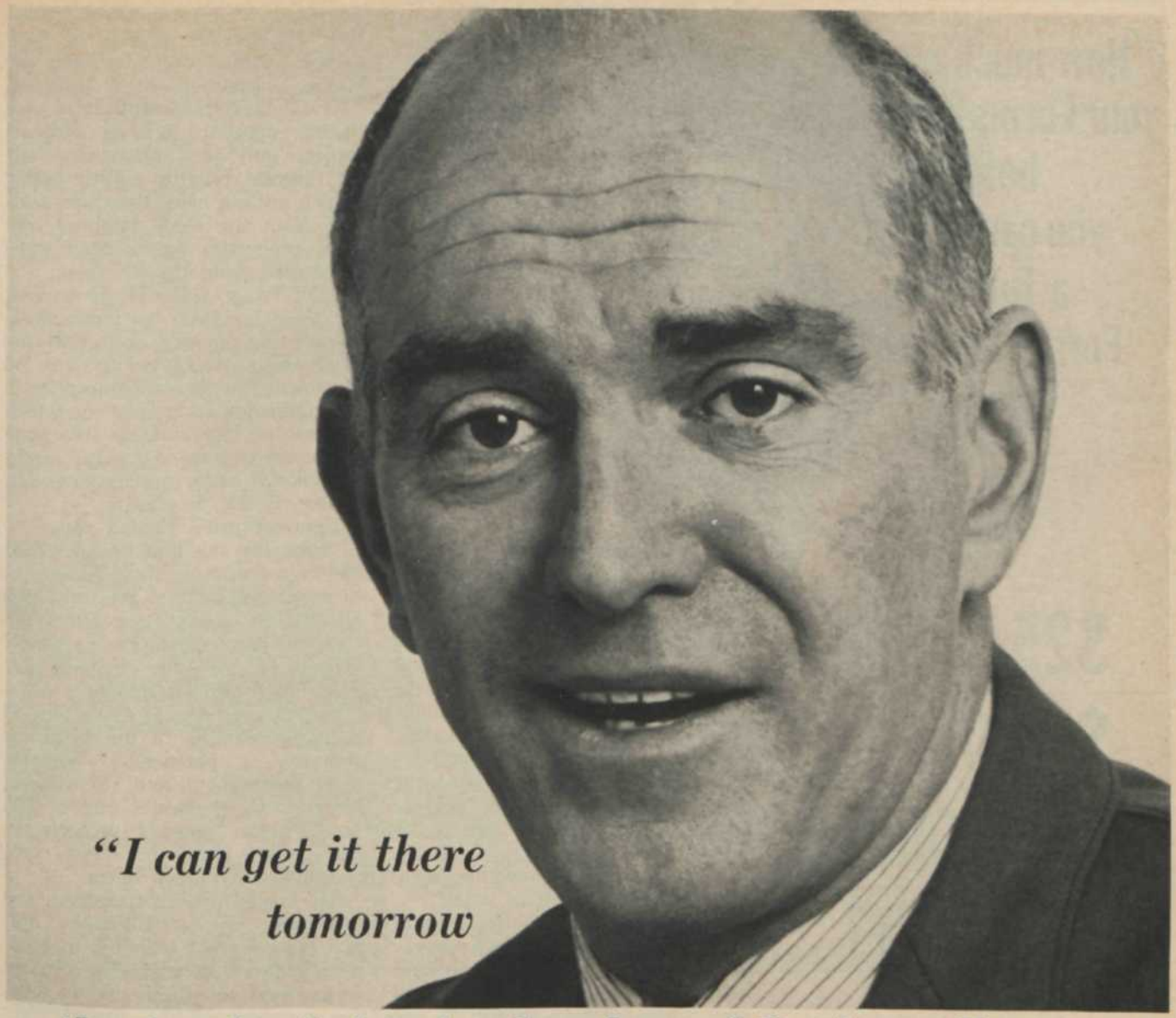
Mr. Aex, who is now treasurer of B. Forman Co., explains the problem succinctly:

"Once a federal urban renewal project has jelled, two things happen. Private enterprise does nothing there, and the government moves ahead very slowly."

What are the prospects for Genesee Crossroads? A Rochester authority on city development estimates that another 10 years may pass before the project is finally completed. Private developers must be found to take over the property after the city acquires the land and demolishes the 156 commercial buildings on it. Estimated net cost of acquisition is $11.2 million and demolition $2.2 million, of which federal taxpayers put up two thirds.

The federal government has agreed to build a $10 million federal office building and court house in the project.

Rochester urban renewal officials attribute the lag largely to federal red tape. Deputy City Manager William F. Denne, who is director of urban renewal, says: "The penalties of using federal urban renewal, if you want to call them that, involve delay. . . . I'm never satisfied on time, but you can't shortcut too much. We're trying to expedite the project. We don't



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WAY TO REBUILD

continued

have as much help as we need. Plans must be reviewed by five different sections of the federal urban renewal office in New York City and then by Washington."

The inherent delays in federal urban renewal projects, coupled with the growing tendency of the Urban Renewal Administration to encourage projects in commercial districts, disturbs businessmen and others. Though the urban renewal program was originally enacted to clear and rebuild residential slums, the proportion of commercial projects allowed has grown steadily to 30 per cent and the Administration is seeking a further increase to 35 per cent.

"We are proceeding on a very dangerous course by shifting the emphasis of urban renewal to high-value commercial districts," Mr. Aex warns. "The time lag that inevitably is involved in a federal urban renewal project may very well do more harm to a community in a high-value central business district than it can afford. I don't believe you can go into a high-value district where a substantial portion of local tax revenues are being raised and take properties off the tax rolls for such a long time without perhaps doing great harm.

"One of the unique features of Midtown Plaza is that the property never left private ownership and never left the tax rolls. This is an area where private enterprise can do it faster and better."

What 15 years show

The lack of progress on Genesee Crossroads is characteristic of federal urban renewal projects throughout the country. The Urban Renewal Administration's latest figures show how much the 15-year-old program has accomplished. A total of 29,200 acres has been planned for acquisition, and 22,000 acres acquired by June 1963. Redevelopers have been selected for 12,700 acres of the land acquired. Redevelopment is completed on only 4,200 acres and is underway on another 2,000 acres.

Urban Renewal Administration officials say that the rate of completion is beginning to rise more rapidly as more and more projects come out of the planning stage into execution.

"The federal program has been in existence for a decade and a half, has spent a billion dollars and promised $3 billion more," notes Rep. William B. Widnall of New Jersey, ranking Republican on the House Subcommittee on Housing. "To date for that result it is producing annually on its finished projects only $8.6 million in actual tax revenue, roughly a little better than a million more than was realized from the same blighted and slum properties before they were eliminated from the tax roles.

"This may improve somewhat, but there has been too much wastage of time, money and effort for what we have achieved to date. At the same time, private enterprise is accomplishing its version of urban renewal at less cost, in less time and never ceasing to pay full taxes. I think we badly need a thorough review of the program."

Representative Horton says:

"Probably the first mistake that has been made in urban renewal is to assume that there are only two alternatives facing cities—either the city will use federal urban renewal and its funds or the city will not. There is a third alternative.

"My home city of Rochester is a living example of the third alternative, a partnership between local government and private enterprise. In Rochester one of the finest urban renewal projects in the United States has been completed—the Midtown Plaza.

"It has helped to transform the downtown area of Rochester and has been a great stimulus to business. It produced a sizable increase in assessed valuations and in local tax revenues of the city. It has stimulated new construction in the area."

Democratic Sen. A. Willis Robertson of Virginia, chairman of the Senate Banking and Currency Committee, which handles housing legislation, says:

"I'm opposed to the urban renewal program as it has developed and as it seems to be developing under the new requests from the Administration. Originally it seemed to me to be a desirable thing for the federal government to assist cities in a modest way in overcoming the blight and obsolescence which were causing hardship to people living in slums.

"Now, however, it seems clear that we must call a halt to this program. We must turn it back to the cities and states. It would be consistent with our new tax and expenditure policies for the federal government to withdraw from the urban renewal program completely." **END**



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YOU CAN CUT YOUR UPKEEP COSTS

Careless people or faulty machines are usual causes of high maintenance bills

AMERICAN BUSINESS dribbles away enormous sums in half-hidden upkeep costs as its operations increasingly become mechanized.

In 1957 it was estimated that manufacturing industry spent $14 billion (more than four per cent of sales) for repairs and maintenance. How much more is spent now nobody knows, but the sum obviously is substantial.

One medium-size private water company averages $50,000 a year for maintenance of its supply lines, meters and pumping equipment. A large insurance company spends $10,000 just to keep its typewriters operating while a Midwest manufacturer spends $2,600 to maintain 100 dictating machines.

Such figures might be expected to catch management's eye, but many experts feel that they have not. "Management people are well aware of the problem," one old-timer says, "but since they have always had the problem, they accept it as a necessary evil and tolerate a considerable amount of maintenance expense. The only time they get upset is when the expense is unexpectedly high or is occasioned by a single outstanding incident."

Actually, the steady dribbling away of money in repairs and upkeep should be enough to cause concern and stimulate action. There is plenty you can do about it.

Analyze your upkeep expenses

You may be amazed at how little you—or anyone else—know about these costs.

For instance, what does the bill cover? Even within a single company the definition of maintenance varies. Sometimes it includes repairs and upkeep of all facilities and equipment as well as janitorial services. Sometimes it includes costs that are not related but which are difficult to assign elsewhere. More often it is limited to the upkeep of factory buildings and production equipment and ignores what goes on in the office.

How much of the bill is chargeable to routine, preventive measures and how much to emergency repairs? Many accounting records do not give the answers.

How large are the hidden losses attributable to repairs of production systems and office equipment? This key question is hard to answer. All businessmen worry about downtime and scrap and product losses resulting from mechanical and other equipment problems. But it is possible to make a rough guess at the cost of these only in the case of major shutdowns—and these are fairly rare.

Minor or short-term shutdowns occur much more frequently.

PHOTOS: HANS KNOPF-PIX



Robert S. Miller, director of quality-products and services for Royal McBee Corp., notes that office machines "deserve the sort of treatment consistent with the investment put into them."



J. H. Trout, manager of safety at IBM, stresses the importance of letting every man know that "he is part of the team and that his opportunity to advance is limited only by his own ability."

What percentage of upkeep costs can be attributed to men, machines, natural causes, the parts and materials being handled and the products being produced? The last four certainly contribute heavily to the bill (though in different proportions, depending on the industry), but how much is not clear. And even if it were, corrective measures might be economically unfeasible.

"For instance, it's possible to build machines that will operate efficiently with a bare minimum of attention," an engineer says, "but the investment cost in many cases would hardly be justified by the savings in maintenance cost."

The extent to which men are responsible for equipment breakdowns, adjustments and repairs is equally unclear. Industrial plant managers believe that machine operators cause relatively little of the trouble. Office managers think just the opposite and blame a large part of their upkeep expense on simple negligence. For instance, typists who carelessly erase mistakes without moving the typewriter carriage to one side often inadvertently cause clogging grit to fall into the segment slots of their machines. Result: sticking type bars and another service call.

"Your office machines represent an investment in important communications tools," notes Robert S. Miller, director of quality-products and services for Royal McBee Corp. "They deserve the sort of treatment consistent with the investment you have put into them."

Office furniture suffers from carelessness. "Nine out of 10 people who sit in an office are careless," says Richard Reader, general manager of the New York City office furniture outlet, Clark & Gibby. "They spill coffee, burn holes, and put their feet on their desks. Five per cent of our business comes from the repair work we are called in to do to correct this kind of carelessness."

In plants, mechanics—the very men responsible for keeping equipment in repair—often make trouble by failing to understand what they are doing or by introducing new problems into the machines they are overhauling. Their poor workmanship, in fact, causes as many problems as substandard or faulty machine components—and perhaps more.

Engineers and manufacturing people are also unintentional troublemakers on occasion. They may develop or purchase machines which work the wrong way, which are difficult to service and repair, or which are not designed with the average operator in mind.

Finally, management itself is not above blame. Basic decisions about major investments may be misguided.

Good maintenance men are curious to know why breakdowns occur but are often too busy to take time to find out. "Management should be interested in organizing to take care of this situation," one says.

"Mere acceptance and handling of problems amounts to nothing more than a holding action. But if you try to learn the causes of the problems and correct some of these, productivity is bound to improve."

Role of employees

Office managers, maintenance managers and the managers of servicing organizations say that management men themselves are pretty careful with the company property they use. But they sometimes set a poor example for subordinates.

Recently an executive of an office machine supplier accompanied one of his district service managers on an inspection tour of 10 of the company's accounts. Five of these were maintaining their machines under service contracts; five were not.

"I was amazed," the executive recalls. "The machines that were on maintenance were in good condition. Many of the others were not. One would hardly work at all. This speaks well for service contracts, of course. But the thing I've been wondering ever since is how a company can expect its employees to have pride in the organization and to take care of the company's equipment if management doesn't seem to be interested in the way the equipment is kept up."

A majority of American firms takes out annual service contracts on office machines. But when profits are squeezed and the order goes out to trim costs, it's an easy thing for the office manager to suggest, "Cancel the contracts. We'll save money by paying for repairs on an hourly basis."

On paper this may sometimes prove to be the case. But don't overlook the high hidden cost of wasted time, excessive paperwork and management and secretarial interruptions that result when a machine is down for emergency repair. This is largely avoided when you have a service agreement which calls for preventive maintenance work on your equipment.

One office machine maker insists

CUT UPKEEP COSTS

continued

that making employes cost conscious is the only way to reduce maintenance costs. "Too many employes take the attitude that 'This isn't my property, so who cares?' " he says. "Somehow you have to change this. You simply must impress on people how much money is invested in your equipment, and do everything possible to encourage and help them use it properly.

"Trouble is, though, that a good many businessmen seem to feel it's impossible to make the average worker cost conscious. Maybe, in this case, that's a reflection of their own lack of interest in how equipment is kept up."

Developing pride of workmanship is also of critical importance. J. H. Trout, manager of safety at IBM, says:

"When a man is well trained, properly compensated and respected, he will not only take pride in his work, but he will also be motivated to make a maximum contribution."

This applies to all employees. But additional efforts must be made to bolster the plant maintenance man's morale, because he is often made to feel like low man on the totem pole.

Tax drag on progress is recognized in new tax law. Inside story of how this came about starts on **page 38**

"It is essential that management recognize the maintenance man's importance to production," Mr. Trout says. "It is also essential that every maintenance man realize his effort is appreciated. Let him know that he is an important part of the team and that his opportunity to advance is limited only by his own ability. Then reward him in accordance with his performance."

On the other hand, you should not hesitate to mete out punishment. Employees rarely get fired for damaging equipment—even if they are repeat offenders. But in some cases, if all else fails, indirect punishment helps to make them correct careless habits and negligent attitudes.

"A woman becomes a lot more careful when she finds that, if she puts her good machine out of commission, she's going to have to work at a second-hand one until repairs are made," the controller of a bank reports. "No one, not even the sloppiest worker, is happy to work on a poor machine. Maybe this would also be good treatment for salesmen who beat up company cars unnecessarily."

Role of machines

Many industrial machines must be torn down more or less completely to permit basically simple repairs or adjustments that the designer somehow failed to anticipate. Occasionally this situation can be corrected by subsequent development of special maintenance tools. But a better solution is to insist that, no matter how much your engineers and manufacturing personnel may look down their noses at maintenance men, they consult with them before installing a new machine.

Training of operators in production jobs is also essential for successful operation of complex equipment. If new production processes are being set up in a large chemical company, for instance, this training may go on for months. Detailed instruction manuals must be mastered. Supplementary training is given by process, safety and maintenance engineers. Training aids, including simulators, are used in many cases. On-the-job training goes on continuously thereafter.

In the office, such all-out training is not called for. "But even an experienced typist needs to be checked out pretty thoroughly when she is given a new typewriter," Mr. Miller says. "This is the typewriter salesman's job; and if you have a service contract, the serviceman will do whatever follow-up work is necessary. In addition, some large firms publish typing tips in their house organs, and a few even have simple retraining programs."

You must train maintenance mechanics, too. "We find it is not only important to train our men how to do things," one supervisor says, "but even more important to teach them why they do things."

This thought is re-emphasized by another manager:

"The average maintenance mechanic can use his hands all right, but he often lacks the fundamental knowledge that enables him to face a situation, take a positive attitude toward it and find the answers.

"I remember one incident well: There were three service men struggling over a large data-processing machine that kept shorting out. They were getting nowhere though they knew the machine well. Then along came a fourth man who was completely unfamiliar with that type of equipment. By using simple logic and fundamental knowledge of electricity he located the source of trouble and fixed it within an hour.

"The situation was like what you run into when your automobile carburetor acts up. The fellow in the average service station says, 'The only thing I can do is get a new one for you.' The old-fashioned garage mechanic, on the other hand, says, 'I don't stock a lot of parts. Let's see what we can do with this one.' So he takes it apart, makes a few adjustments and gets you on the road again. He knows why things work and why they don't work and from this he can usually figure how to make them work."

Taken piecemeal, each of these steps can help reduce your repairs and upkeep bill; but for the best results you should approach the problem the same way that you tackle any other business problem.

James D. Quinn, senior consultant, maintenance engineering for E. I. du Pont de Nemours & Co., recommends these steps:

1. Develop a systematic means of procuring background data about equipment repairs, their cause and effect.
2. Set up an organized plan for the solution of problems. This should include assignment of personnel to the program and periodic reporting to establish justification and priority for studies.
3. Accumulate sufficient data to evaluate improvements being considered and later to establish the effects of the improvements and the benefits of the over-all program.

"Problem solution, or corrective maintenance," Mr. Quinn says, "is a business proposition that shows an excellent return on the expenditure. It can contribute significantly to production of quality products at lower cost."

—STANLEY SCHULER

REPRINTS *of "You Can Cut Your Upkeep Costs" may be obtained for 25 cents a copy, $12 per 100, or $90 per 1,000 postpaid from Nation's Business, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance with order.*



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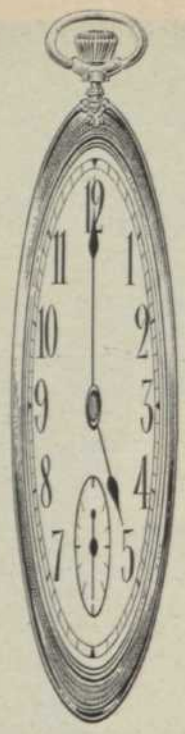
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NEW SPOKESMAN

continued from page 43

on himself and those working with him.

Mr. Carey's business life provides many examples of how that dogged determination was made to pay off. Back in 1929 it saw him through a make-or-break crisis that threatened to put an ignominious finish to his first venture.

It happened like this: After graduating from Wayne University in 1926 and putting in a brief stint in accountancy and the department store business, Mr. Carey decided to go into trucking. He and some associates had a fleet—two mortgaged-to-the-hilt tractor-trailer units, to be exact—and they were getting in on the ground floor of the new business of trucking automobiles from factory to dealer.

Hard times hit American industry and the infant trucking line reached a point where the finance company was talking about repossessing the tiny fleet. An installment was due but there was no business because it was the season when new models were being shipped in closed box cars in order to avoid disclosure of what they looked like before the day set for unveiling at the dealers.

Mr. Carey's associates were ready to throw in the sponge, but he wouldn't give up. He wangled an extra 24 hours from the finance company man and hurried off to see the traffic manager of an auto company.

"Will you give us work if we hide the cars while they are on the highway?" he asked. The answer was yes, and the infant company was saved.

Mr. Carey doesn't claim that he originated the idea of trucking new model cars under tarpaulin shrouds, but he does know that it saved his skin.

The trucking venture, which became Commercial Carriers, Inc., prospered and had 1,100 units on the highways 20 years later when Mr. Carey and his partner sold it. It was the largest transporter of new automobiles in the country.

A turning point

Another refusal to accept the seemingly inevitable marked another profitable turning point for Mr. Carey. As his car-hauling operations expanded he was troubled by the fact that Kentucky limited trailers to 30 feet in length although other states permitted them to be as long as 65 feet. How to get by this restriction on efficient operation?

The answer was to take to the water. So he and his partner, Bert Beveridge, started a barge line. Originally it was used simply to bypass Kentucky via the Ohio and Tennessee rivers. But as it expanded it moved into the Mississippi, the Chicago and the Missouri rivers and the Intercoastal Canal.

Thanks to innovation that revolutionized the barge transportation of automobiles and inland waterway traffic generally, the partners were able to sell the line, in which they had an original equity of $50,000, for $5 million in 1949. At that time it was the largest water carrier of motor vehicles in the world.

The year 1949 was a punctuation point in Mr. Carey's career. Although his truck and barge firms had been immensely successful, he and his partner were deeply committed financially. Even their life insurance was tied up. So, in a move to bring security to their families and end the almost daily financial crises that had become a way of life, they sold out most of their holdings.

But in no way was it a retirement. For a time they operated their old companies under a management contract. Then they cut loose and soon were deeply immersed in new ventures, which now do an aggregate business of over $20 million a year.

Their activities include not only auto hauling but the transportation of giant missiles and transformers and other items needing special equipment. They are also getting into such related activities as warehousing, rigging and pipeline stringing. Their enterprises include Automobile Carriers, Inc., of Flint, Mich., and Dealers Transit, Inc., of Chicago, both headed by Mr. Carey, and C. & J. Commercial Driveaway, Inc., of Lansing, Mich., of which he is vice president.

Mr. Carey was born in Detroit, the son of a marine engineer who worked aboard Great Lakes freighters. His father, who at 91 now lives in Lexington, Mich., was a profound influence on his life. Among his happiest memories are the trips he took aboard the lake boats as a child. He traces his deep love for the water to his father. A persistent doubt that he really did the right thing in abandoning a plan to study engineering probably goes back to the same source.

Mr. Carey began paying his way early in life. He worked his way through Wayne University, where



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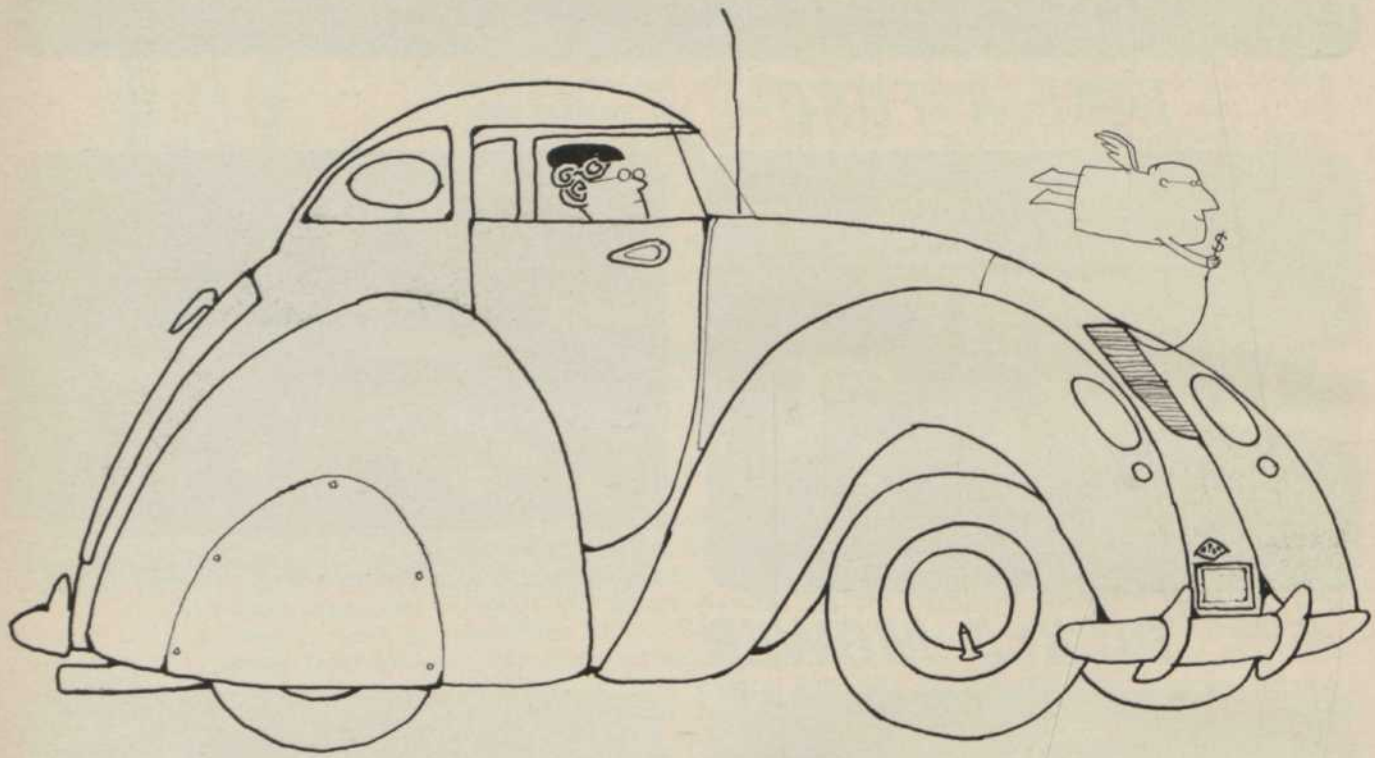
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he took a degree in accountancy, by ushering in theaters, working in department stores and playing the piano in a combo which bore the grandiose name "Walter Carey's Green and Gold Serenaders."

He started his career in Detroit as a junior accountant with Ernst & Ernst, the accounting firm, and got his first taste of the trucking business while serving as bookkeeper for the Lincoln Trucking Co. He spent two years as an assistant to the comptroller of Tuttle and Clark, a Detroit department store, and then, in 1929, entered the trucking business for good.

Talent proved rewarding

His initial bent toward engineering reflected a talent for design and construction that has stood him in good stead. It has also resulted in some of the most rewarding moments of his life.

He now recalls that one of his most pleasurable experiences was when, faced by the steel shortage during World War II, he designed a trailer of oak beams reinforced with odds and ends of steel plate to be used in hauling ambulance bodies between factories. This was one of his companies' many wartime assignments. Another was transporting wings of fighter planes from midwestern subcontractors to an airplane factory in Connecticut. He recalls that he helped design a special three-point suspension system to carry the wings in his trailers so they wouldn't be warped out of shape during the trip.

Probably the most spectacular display of Mr. Carey's creative side came in connection with the barge line. When he went into that business, autos were being carried 27 to a barge, each car being swung aboard the barge individually by crane in a complicated sling arrangement. The barges then plodded along the waterways at five or six miles an hour, propelled by tugs.

Over the years, and with the help of a University of Michigan professor of marine engineering, Mr. Carey designed a three-barge self-propelled unit that carried 600 cars and traveled at 17 miles an hour. It was loaded from a special multiple-ramp loading barge in a fraction of the time required by the crane method. As Mr. Carey candidly notes, the profits brought by these innovations were enormous.

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the Carey engineering talent—and of his love for the life afloat—was the construction of a 64-foot steel-hulled cabin cruiser on the 13-acre grounds of his suburban home. The boat slept 12 and had everything from a tub in the master bath to a piano in the main cabin.

Although he gave it to the University of Miami three years ago, Mr. Carey still enjoys recalling the two years during which he spent every spare hour, often in bitter cold or broiling heat, working on that boat. At the mention of its name, "Seaquester," his eyes light up and he gets out the detailed photographic record he kept of its construction.

Since his trucking lines operate coast-to-coast, Mr. Carey travels a great deal. He and Mr. Beveridge share a twin-engined executive plane (he used to do his own piloting, but he gave that up when he found he could use the time aloft more profitably on his business). He has offices in Flint and in Chicago, but home base seems to be the den-like office in his handsome rustic colonial home in Birmingham, a suburb of Detroit. In a typical week, he might spend two days in his office in Chicago, another day conferring with Mr. Beveridge in Flint and the rest of the time on a business trip to Florida or the West Coast.

Trim and youthful-looking, Mr. Carey was an avid tennis player until a few years ago when his doctor told him that if he couldn't find time to play several times a week he'd better drop it altogether. In the old days, he reports, you might have found him on the tennis court behind his house as late as 2 o'clock in the morning. Today he goes there only occasionally, "just to show the youngsters how it is done."

His main recreation now revolves around a 50-foot cruiser anchored in Florida, a successor to the Seaquester, and his rustic retreat on Michigan's upper peninsula, where he can fish and tramp in the woods and generally recharge his batteries. Many—too many, Mrs. Carey says—of his evenings are spent at his desk in his home-office, cleaning up chores for which there weren't enough hours in the day. But there is often time for a bridge game with friends or a quiet evening of conversation.

A devoted family man, Mr. Carey

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NEW SPOKESMAN

continued

takes a proud interest in the unique doll shop Mrs. Carey operates in a specially built wing of their home. There she dresses and repairs antique dolls. This semicommercial venture reflects a long-time hobby that has made her one of the country's leading authorities on dolls as they were through the ages. In addition to operating the shop, she arranges exhibits for the Detroit Historical Museum and gives lectures on doll lore. Mrs. Carey also does quite a bit of traveling with her husband, although she has a distaste for the one-night stands often required by his business and speaking commitments.

The Careys have four children, three of whom are married and away from home. Their son, North, operates the Florida end of the business and lives in Miami. Daughter Joan Moon is the wife of the city manager of Mentor, Ohio. And daughter Susan Beraznoff is the wife of a Buick engineer and lives in Flint. The youngest daughter, Lynne Diane, is a student at the University of Michigan.

The family is closely knit, and it's a tradition that each year the children and the grandchildren, now numbering eleven, get together for a Christmas reunion in the Birmingham home.

An important element in Mr. Carey's formula for developing a better image of American business is increased participation by the businessman in the associations which promote the interests of his trade or industry and of business in general. "The businessman is much too prone to say 'Let George do it,' and take a free ride," he says.

So it is no surprise that he himself is extremely active in organization and public service work. One of his most successful projects has been the American Trucking Associations Foundation. A former president of ATA, he set up the Foundation as a separate research, educational and public information arm, financed by suppliers to the trucking industry.

In the 11 years since it was established, the Foundation has built up to a yearly budget of $1,250,000 a year.

In the National Chamber, he is probably best known as chairman of the Transportation and Communication Committee, where he has won the respect of all branches of the transportation industry for his genius in inspiring cooperative effort. He has also served as a member of the Policy, Budget, Bylaws and Executive Committees.

Other business connections include present or past high office in the Economic Club of Detroit, the Transportation Association of America, the Michigan Aeronautics and Space Association, the Michigan Trucking Association, the National Safety Council and its Public Safety Committee, and the National Automobile Transporters Association.

Services for trucking

Mr. Carey has constantly made his services available to the government. During the war he worked in Washington three days a week as a representative of the trucking industry on a board advising the government on the movement of military goods. He is now chairman of the National Defense Transportation Association and a member of Defense Secretary McNamara's Advisory Council on Transportation. He recently directed the preparation for the Defense Department of a study of military shipping practices and how they could be improved.

His community services have included membership on the National Budget Committee of the United Defense Fund, chairmanship of the Wayne State University Alumni Association and presidency of the Kirk-in-the-Hills Presbyterian Church trustees. He is now a trustee and treasurer of Alma College and a trustee of the Wayne State Fund. Among honors he has received are the Alpha Kappa Psi Alumni Award, Wayne State Alumni Award, a Doctorate of Commercial Science from Tri-State College and a Doctorate of Laws from Wayne.

He would like to see the National Chamber and other business organizations work more closely with lawmaking bodies to bring about constructive legislation. The emphasis, he says, must be on avoiding negativism and complaints about the way things are, concentrating instead on what he calls the positive approach.

Chamber members and the country at large can expect to see and hear more of the Carey positive approach in the months to come—an approach that is careful, thoroughly thought out, and powered by that Swedish drive which has built a successful American businessman.

—CHARLES B. SEIB



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The length of work time required to earn enough to buy a pound of butter dropped from 106.9 minutes in 1912 to 19 minutes now; a dozen eggs, from 97.4 minutes to 13 minutes; a quart of milk, from 24.9 minutes to seven minutes; and 10 pounds of sugar, from 180 minutes to 30 minutes.

The accompanying charts show a NATION'S BUSINESS analysis of the increase in the average U. S. worker's buying power over the past 51 years, together with an estimate for 1964, and the amount of time he must work to purchase consumer items compared with his counterpart in various parts of the world. END

REPRINTS *of "Americans Get More for Their Money" may be obtained for 25 cents a copy, $12 per 100 or $90 per 1,000 postpaid from Nation's Business, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance with order.*

WORK TIME

BREAD	1 LB.
MACARONI	1 LB.
BEEF, SIRLOIN	1 LB.
PORK, LOIN CHOP	1 LB.
BACON	1 LB.
MILK	1 QT.
BUTTER	1 LB.
EGGS	1 DOZ.
POTATOES	10 LBS.
ORANGES	1 DOZ.
SUGAR	10 LBS.
COFFEE	1 LB.
BEER	1 PT.
COAL	100 LBS.
ELECTRICITY	1 KWH.
GAS	100 CU. FT.
KEROSENE	1 GAL.
SOAP, LAUNDRY	1 LB.
CIGARETTES	20

HOW U. S. WORKERS' BUYING POWER IS CLIMBING

YEAR	PRICE OF FOOD ITEMS: BACON (LB.)	BUTTER (LB.)	EGGS (DOZ.)	MILK (QT.)	SUGAR (10 LBS.)	AVERAGE HOURLY EARNINGS OF FACTORY WORKERS
1912	24.4¢	37.4¢	34.1¢	8.7¢	63.0¢	$0.210
1922	39.8	47.9	44.4	13.1	73.0	0.482
1932	24.2	27.8	30.2	10.7	50.0	0.441
1942	39.4	47.3	48.4	15.0	68.2	0.851
1952	64.9	85.5	67.3	24.2	103.0	1.65
1962	70.1	75.2	53.3	26.1	117.4	2.39
1964 (est.)	70.0	75.0	55.0	26.5	140.0	2.50

YEAR	MINUTES OF WORK TIME REQUIRED TO PURCHASE FOOD ITEMS: BACON (LB.)	BUTTER (LB.)	EGGS (DOZ.)	MILK (QT.)	SUGAR (10 LBS.)
1912	69.7	106.9	97.4	24.9	180.0
1922	49.5	59.6	55.3	16.3	90.9
1932	32.9	37.8	41.1	14.6	68.0
1942	27.8	33.3	34.1	10.6	48.1
1952	23.6	31.1	24.5	8.8	37.4
1962	17.6	18.9	13.4	6.6	29.5
1964 (est.)	16.8	18.0	13.2	6.4	33.6

NEEDED TO BUY CONSUMER NEEDS (IN MINUTES)

UNITED STATES	SOUTH AFRICA, CAPETOWN	ARGENTINA, BUENOS AIRES	HONG KONG	JAPAN, TOKYO	PHILIPPINES, MANILA	AUSTRIA, VIENNA	FRANCE, PARIS	GERMANY, WEST BERLIN	ITALY, ROME	POLAND	SPAIN, MADRID	TURKEY, ISTANBUL	AUSTRALIA, SYDNEY	MOSCOW, USSR
5	6	11	23	19	29	24	11	11	16	15	24	14	6	36
6	19	15	17	22	67	24	26	13	23	32	NA	35	14	NA
28	34	NA	130	148	126	144	148	73	169	109	168	81	40	143
23	41	51	144	132	74	99	93	74	NA	133	188	NA	39	129
18	53	38	232	NA	158	52	NA	34	40	114	68	NA	59	101
7	12	17	104	41	90	13	16	11	23	20	28	47	13	36
19	44	75	155	160	502	94	118	65	154	212	217	NA	39	206
13	40	37	109	81	117	95	88	50	110	167	175	NA	40	128
16	66	30	85	49	215	43	31	23	59	43	64	134	42	60
20	17	36	149	83	206	36	84	38	NA	363	74	NA	NA	318
30	58	177	227	317	177	170	149	111	259	363	311	463	74	533
19	97	100	287	NA	NA	262	124	165	287	666	345	665	81	242
6	15	12	NA	45	39	17	8	11	26	15	26	NA	16	NA
37	46	376	250	267	NA	302	287	80	597	76	361	756	NA	NA
1	NA	NA	13	6	9	3	9	4	11	3	15	17	NA	NA
3	NA	NA	68	26	62	NA	29	11	29	9	31	NA	14	NA
4	26	27	71	NA	77	NA	NA	16	NA	101	80	NA	21	NA
3	9	11	NA	33	37	33	19	22	23	39	NA	65	15	28
7	22	22	46	19	45	33	32	33	43	25	42	23	22	24

NA = INFORMATION NOT AVAILABLE

MORE TAX CUTS

continued from page 40

tion of more efficient machinery. Companies could then compete better with foreign competitors here and abroad, went the reasoning. The plans called for enactment of the investment credit law in 1961, easing of depreciation rules after that and, in 1962, submission of a top-to-bottom reform of the complicated tax structure.

The Treasury's brass was ready to give up $2 billion to $5 billion in revenues for their tax reform but nothing close to the $11 billion enacted this year.

This, then, was the economic policy of the Kennedy Administration during its first year and one half.

By late 1962, however, Mr. Kennedy had reversed himself. This man who had started out talking about sacrifice and opposing tax cuts was telling the nation that high federal income taxes can drag down a recovering economy. He even took steps toward holding down spending.

How the President came to change his mind in the course of less than two years is the crucial chapter in the change of federal economic policy dramatized by the tax bill. The man most responsible for this change of thinking was Mr. Heller.

Anyone who calls Mr. Heller "the father of the tax bill," must be ready for an argument in Washington these days. Many deny his key role and claim it for themselves.

Talk to practically any New Frontiersman about the tax cut and you'll hear the adage in vogue this season: "Success has a thousand fathers but failure is an orphan."

Certainly other vital roles were played by business spokesmen, Treasury officials, Chairman Wilbur D. Mills of the House Ways and Means Committee and other congressional leaders. They helped originate thought, shape the tax cut, refine the Administration's policies and sell the measure to the country. But it was Mr. Heller and his associates at the Council of Economic Advisers who accomplished the indispensable first step of convincing the President he should propose the tax cut.

Critics contend that Mr. Heller gets the glory while others did the work. They maintain he simply came up with an economic theory and lots of charts to back up a tax cut decision already made by President Kennedy for political reasons.

Officials privy to Mr. Kennedy's thinking during those days swear this isn't so.

But these insiders concede that politics did play a major role in the decision to press for a tax cut. The reasoning was this:

Mr. Kennedy won election on the promise that he could get the country moving. But by early 1962, the rate of unemployment still remained above five per cent and the economy looked as if it might slip into a recession. So a hunt went on for new ways of improving prosperity. When Mr. Heller's group showed him that a massive tax cut might do the trick, he pushed for tax reduction as a political goal.

"The main thing I remember the President talking about during that period when he was considering whether to propose a tax cut," says a White House aide, "was that the longest postwar recovery to that time had run 37 months and the current one seemed to be tapering off."

"President Kennedy knew the only way he could avoid a recession by November 1964 was to cut taxes," asserts one Democratic senator close to the President's tax thinking.

The solution Mr. Heller offered in justification of a massive tax reduction has come to be known as the theory of fiscal drag.

Fiscal drag theory

Here's how he described it in a definitive article he wrote for NATION'S BUSINESS in November 1962:

"It now seems clear that one of the chief reasons for the sluggish behavior of our economy over the last five years or so is the persistent drag exerted by our present federal tax system. . . .

"With our present federal tax system, taxes tend to grow by roughly 30 per cent of any rise in gross national product during periods of economic expansion. With a federal tax system that drains off about 30 cents out of every additional dollar generated by production, a very strong expansionary thrust is required to drive the economy strongly forward.

"As expansion develops, the federal budget shifts strongly from deficit toward surplus, thereby draining larger increments of purchasing power out of the economy than it puts in. The expansion can continue only if consumers, business and state and local governments increase spending faster than their incomes rise, thereby putting more purchasing power into the spending stream than they take out."

He argued that gross national product would rise by two to three times the size of the tax reduction. Higher incomes and profits from improved business would mean the lower tax rates would soon produce more revenue for the government than the old, higher ones did.

Mr. Heller pointed out to President Kennedy that the federal tax system would take an additional $5 billion to $6 billion out of the economy each year if normal growth occurred. In order to keep the economy thrusting ahead, government would, therefore, have to offset this drain by either increased spending or tax reduction. Mr. Heller argues that it is unlikely that a year-in, year-out increase of $5 billion to $6 billion in government spending would be practical. He doesn't, of course, take a philosophical stand against spending.

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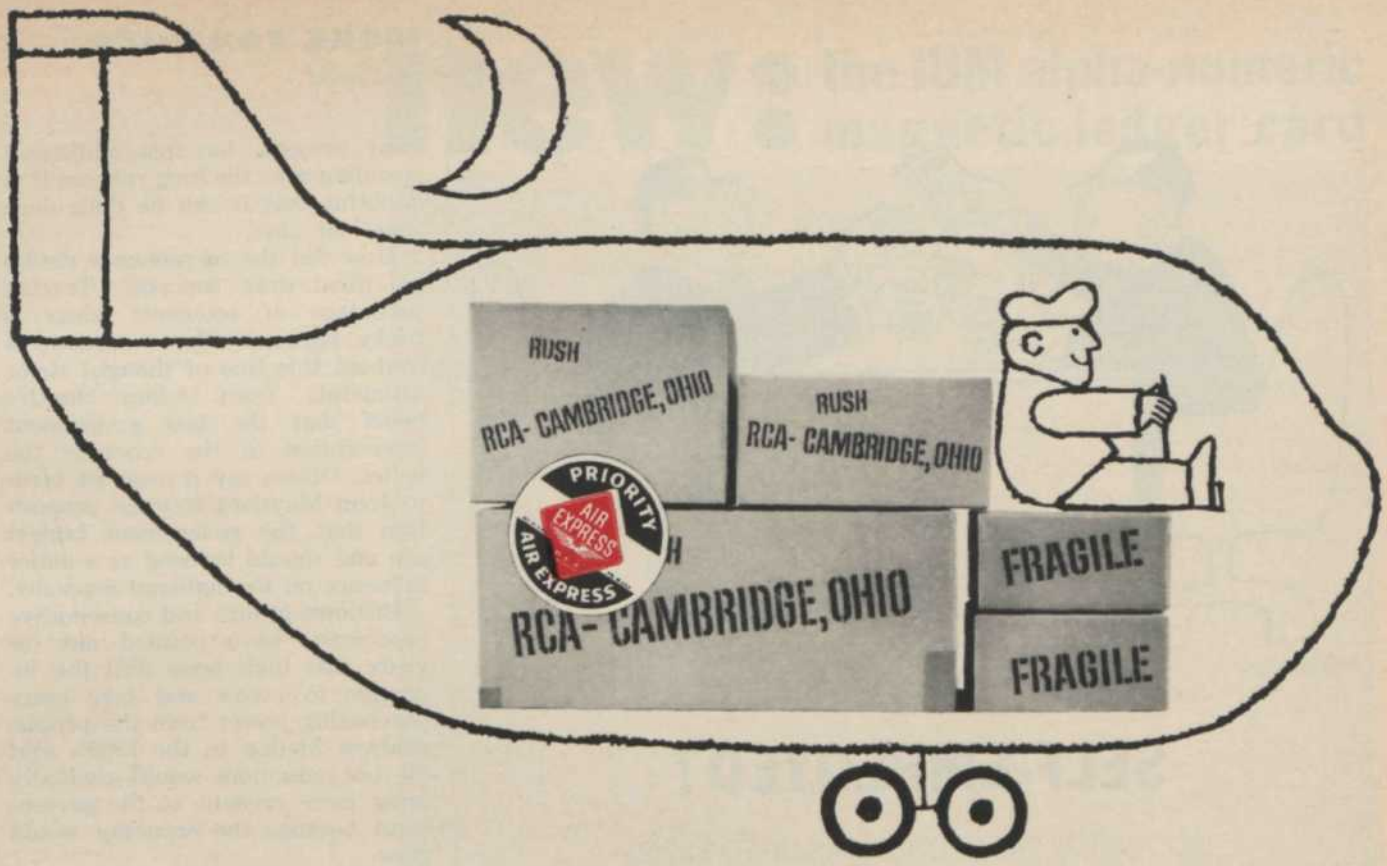
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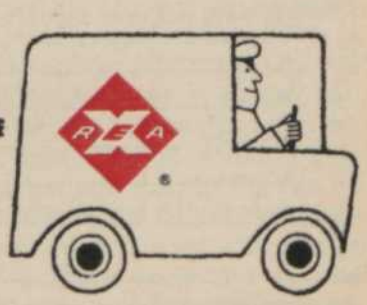
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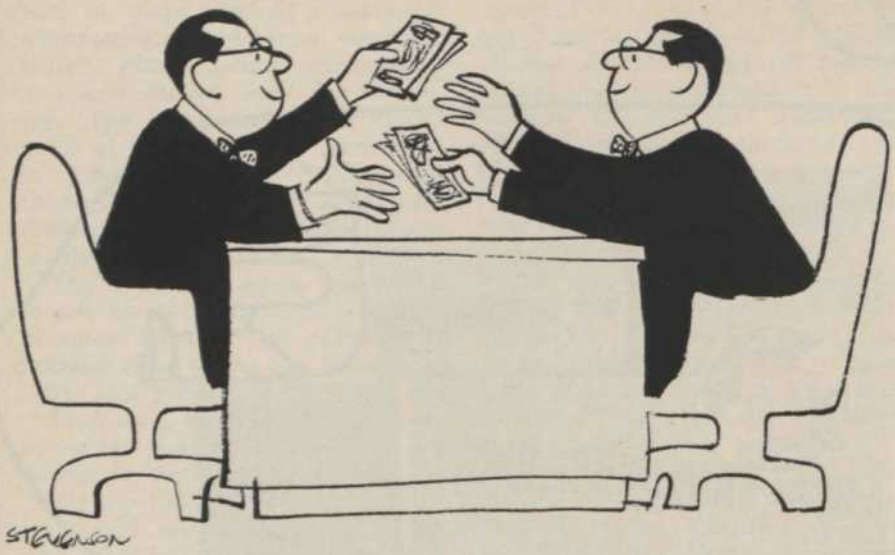


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MORE TAX CUTS

continued

cient projects for this additional spending over the long run but it is doubtful that it can be done each year," he says.

How did the ex-professor devise his fiscal drag concept? Tracing parentage of economic ideas is tricky business. Some economists contend this line of thought stems ultimately from Adam Smith's belief that the less government intervention in the economy the better. Others say it owes its birth to John Maynard Keynes' proposition that the government budget can and should be used as a major influence on the national economy.

Business groups and conservative economists have pointed out for years that high taxes dull the incentive to invest and take away purchasing power from the people. Andrew Mellon in the 1920's said the tax reductions would gradually bring more revenue to the government because the economy would grow.

More recently Mr. Heller owes much to economists who in the 1950's began to take a hard look at taxes in relation to the level of the gross national product and full employment. A major landmark to many economists was a study issued by the staff of Congress' Joint Economic Committee in the mid-1950's. Credited mainly to James W. Knowles, now executive director of the committee, the study projected economic growth into the future and attempted to show what would happen to national output and unemployment under various federal tax levels.

Drawing on these and other studies, Mr. Heller put together his fiscal drag theory in the late 1950's. Unlike other economists he advocated reducing taxes during prosperity in order to keep a growing economy from leveling off. Many others saw tax cuts as useful simply to pull the economy out of a recession.

As long as President Kennedy followed a policy of high taxes and higher spending, the Heller theory got little attention.

The Berlin showdown in the summer of 1961 brought the first victory for Mr. Heller and the fiscal drag theory.

Threats by Soviet Premier Nikita Khrushchev sent the country into fast mobilization. Simultaneously, Mr. Kennedy debated raising taxes $3 billion to pay for the

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7/21/6-	12566	13.91		201.63				
7/30/6-	12671	304.11		505.74				
8/01/6-				505.74	505.74			
8/07/6-			187.72	318.02				
8/20/6-	12802	156.12		474.14				
9/01/6-				474.14	156.12	318.02		
9/04/6-	13094	73.17		547.31				
9/14/6-	13308	75.00		622.31				
10/01/6-				622.31	148.17	156.12	318.02	
10/04/6-			195.00	427.31				
10/09/6-			20.00	407.31				
10/16/6-	15103	46.98		454.29				
10/25/6-	15487	141.71		596.00				
10/29/6-	15782	88.06		684.06				
10/30/6-	15802	16.07		700.13				
11/01/6-				700.13	292.82	148.17	156.12	103.02
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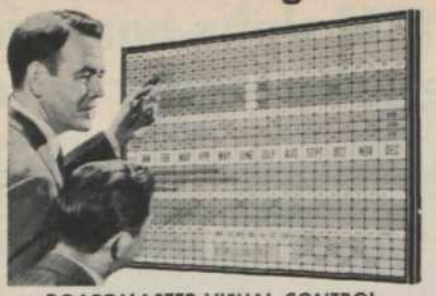
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MORE TAX CUTS

continued

extra costs. Most Administration advisers favored the tax boost. But the Council of Economic Advisers opposed it on the ground that taxes were already a drag on the economy and that an extra $3 billion would hurt even more. A showdown developed.

It finally came to a head on a Friday afternoon in July. Mr. Heller was in Texas on a speaking trip. A telephone call came through from Washington saying the President had tentatively decided to ask for the tax boost.

Mr. Heller, working through his Council colleagues in Washington, began his counterattack by phone from Dallas. Back in Washington the next morning, he was driving to his office when the two-way radio in his White House car summoned him to the nearest phone. The President was calling from his week-end retreat in Hyannisport.

The conversation led to a series of meetings Monday. At an evening session on the second floor of the White House, the President, Vice President Lyndon Johnson and Mr. Heller had a final go-round.

Mr. Heller did not know of the President's final decision—the decision not to ask for higher taxes—until he received a White House cable the next day in Paris, where he had flown overnight to a meeting of the Organization for Economic Cooperation and Development.

The turning point

The second victory came a year later when Mr. Kennedy decided in mid-1962 to press actively for a big tax reduction. In retrospect, it sometimes appears that the decision was the only logical choice.

But complicated economic and political currents were swirling around the White House.

Economically, bellwether indicators shot up deceptively high in the fourth quarter of 1961, causing the Administration's seers to forecast high prosperity, high revenues and a balanced budget for fiscal 1963 despite big spending plans. These forecasters thought the economy might well reach full employment without a tax cut stimulus. But before two months, it was clear the forecasts were haywire.

President Kennedy asked in his State of the Union message for standby authority to cut taxes as an antirecession weapon; he got a fast turndown from congressional leaders. In April, Mr. Heller sent up a trial balloon for a tax cut when he addressed the Los Angeles Chamber of Commerce. And by June, a Heller-fueled boom for a quickie tax cut to be enacted by Congress was under way.

The economic indicators and misjudged forecasts were confusing enough. But Mr. Kennedy made things even worse for himself by severely undermining business' confidence in the future by his attack on the steel companies and businessmen in general. Then, in May, the stock market plunged. What's more, many businessmen were fighting his proposal for an investment tax credit which the Administration had originally expected to sail through Congress. And organized business was urging a tax cut, accompanied by spending reductions.

This political uproar made it impossible for Mr. Kennedy to boost spending still higher in hopes of improving the economy.

If you're President of the United States, what do you do in that situation?

If you were John F. Kennedy, you looked for something that would mollify business and get the economy going again. You held all sorts of conferences big and small with economists such as Mr. Samuelson, with top Treasury Department officials, with Mr. Heller and his aides, with Ted Sorensen, the special counsel and top speechwriter, with Larry O'Brien, the chief White House lobbyist on Capitol Hill, and others.

Many meetings were held around the long tapered table in the Cabinet Room. Others took place in the sunlit oval room Presidents use as their office. Participants were mixed and matched. Frequently, Mr. Kennedy brought an unannounced guest, Chairman Mills. His opinion was vital because he must support any tax bill before it has a chance of advancing through Congress.

Mr. Mills wanted reform of the tax system so as to provide greater incentives for business investment. He also insisted any tax cut must be accompanied by a hold down in federal spending and the budget deficit. Treasury Secretary Dillon and his aides took roughly the same stand although they sought to go farther with reforms. Mr. Heller's forces wanted a major tax cut as soon as possible with reforms to by enacted later.

"A clear consensus developed within the government during May,



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MORE TAX CUTS

continued

June and July 1962 on the need to do more for business," Mr. Fowler points out. He asserts the Treasury didn't oppose a big tax cut as such but wanted the bill to include basic reforms.

"To us at the Treasury," he said recently, "there was no value in either greater spending or a temporary tax cut. The economy needed something permanent."

The Treasury and Mr. Mills carried the day in opposing the quickie tax cut. But it was Mr. Heller who got the major victory in convincing the President that the Administration should press for a big tax cut the following year—1963—in order to reduce the tax drag on the economy.

"There's no question it was Heller who convinced the President of the economics of a tax cut," asserts one White House adviser. "He and the Council staff first had to educate the President on the economics. Then when he was convinced, they had to provide him with understandable statistics and other demonstrations of the tax cut's effects so he could make a plausible case to the country."

"The analyses were brilliant, imaginative studies which broke ground in the field of tax-cut effects on unemployment," observes one Washington economist. "Of course, many of the studies turned out to be wrong, but they were brilliant, nevertheless."

Presidents, Republican and Democrat, are political animals rather than economists. It's one thing, therefore, to convince a President that the economy needs a tax cut and quite another to get him to propose such a step to Congress.

In the late spring of 1962, while he mulled the economic merits of the reduction, Mr. Kennedy told his congressional contact men to size up the chances for a tax cut bill in Congress.

"We told the President it was possible to get the cut through Congress but that there would be a fight and it would be long and bloody," says Henry Hall Wilson Jr., specialist on the House of Representatives on the White House congressional relations staff.

What went on within the White House during these pivotal months throws interesting light on how President Kennedy made decisions.

Political and economic considerations were blended so that it is virtually impossible to determine which was the really motivating factor in Mr. Kennedy's tax cut decision.

Even the exact timing of the decision is lost to those on whom the President leaned most heavily for advice.

The public conceives of momentous presidential decisions as being made, or at least announced to his intimates, in some precise manner—perhaps in a stately fashion at a meeting of the Cabinet or at a gathering around his carved desk of the officials and congressional lieutenants directly involved, or, at least, in some paper of state, if only a memorandum to top aides.

If there was such a clear-cut point of decision by JFK on the tax bill, it has been lost to his associates most closely involved. To them, the decision to push for a tax cut came about by osmosis. In the course of several months, participants simply became aware that the President had accepted the tax cut plan.

"I would submit a memo on a certain point to the President and if after a certain time he hadn't said anything showing he rejected the thought, I assumed he'd accepted it," reveals one Cabinet-level aide.

Equally involved officials became aware at widely different times that the President had decided for the tax cut. For some officials the first clear-cut sign came on June 7, 1962 at a press conference. Before the press conference, aides inserted into briefing papers prepared by Mr. Sorensen a sentence saying the Administration would ask for a net reduction in taxes the following year. When Mr. Kennedy spoke the sentence, these insiders assumed he had made up his mind. Nobody told them so, however.

Others weren't fully sure until two months later. That's when on August 13 he told the nation in a full-dress television report why he would not ask for a quick tax reduction that summer but why the economy needed an across-the-board, top-to-bottom cut and revision in 1963.

There were practically none of Mr. Kennedy's highly publicized direct phone calls to officials up and down the line involved in details of tax planning.

"The contemplative process wasn't carried out over the phone. He didn't think out loud over it," Mr. Fowler notes.

Mr. Kennedy left the size of the

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tax bill to negotiation between the two chief contending forces. Mr. Dillon's Treasury, situated to the right of the White House physically as well as spiritually, wanted as little revenue loss and as much tax reform as possible. The Treasury, backed by Mr. Mills, feared congressional passage of a tax cut bill without major restructuring attached would doom such changes for years.

The other force was Mr. Heller's Council of Economic Advisers, operating out of the ornate old Executive Office Building to the left of the White House. Mr. Heller wanted a big tax cut fast, irrespective of reforms, in order to jazz up the economy. He argued for several billion more than the $10 billion finally agreed upon. White House staffers told the President that as long as he was going to have a fight over taxes he might as well ask for as big a cut as he could.

Mr. Kennedy himself was mainly preoccupied in this period with a matter of high urgency, the Cuban missile crisis.

The President, by and large, knew little about the major provisions of the tax bill—including the exact size of the proposed cut—until December. That month he made his formal commitment to the proposal and began his full-scale pressure for it in a speech to the Economic Club in New York. He finally learned full details and gave his approval to the detailed Administration scheme at a Yuletide conference in the sun at Palm Beach, Fla.

The shaping of legislation in executive departments can be a nerve-wracking job. The tax bill was no exception. Stanley Surrey, the assistant secretary in charge of putting together the tax proposal in all its technicalities, recalls working long into the night; steady streams of economists, businessmen, tax specialists, lawyers and special pleaders filing past his desk, and ground-breaking staff studies of problems never encountered previously.

Congress' opinion vital

But no matter how much work goes into any Presidential proposal, the thing that finally matters is how Congress treats it. The work of assuring congressional acceptance fell mainly on Mr. Dillon and his aides. Mr. Heller, who had a reputation as a big spender, kept in the background.

This wooing of Congress started with consultations with Mr. Mills throughout the decision-making process. The congressman is deeply conscious of the American constitutional system division of executive and legislative powers so refused to take any positive role in shaping the Administrative proposals. But any indication of coolness or lack of understanding about some tax idea on the part of the Arkansas lawmaker was enough to make the Administration's men restudy their position.

Other discussions were going on with the late Sen. Robert Kerr of Oklahoma, who, besides being the most politically powerful Democratic Senator, held a key role because of his No. 2 position on the Senate Finance Committee. Finance Committee Chairman Harry F. Byrd opposed a tax cut.

Much of the consultation with Mr. Mills and Mr. Kerr was kept as quiet as possible. Mr. Fowler flew to Little Rock for one weekend meeting with Mr. Mills during the fall of 1962. Even more importantly, Secretary Dillon got Mr. Mills and Mr. Kerr together in the senator's home bailiwick in late November for a talk about the bill's main provisions. Senator Kerr helped the Administration by what is described as explaining certain provisions of the plan to Mr. Mills. The two powerful congressional leaders didn't seem too shocked by the tax proposals, as one Administration source puts it, so Mr. Kennedy went ahead with his proposal.

By the standards that prevail in city hall and state capitol politics, legislators should have waved their arms in joy over the opportunity to vote for a tax cut. But Congress doesn't work that way. Members knew the people had stronger feelings about federal fiscal responsibility than many supposed political experts believed. Making matters worse, the Administration's bill included a number of structural changes which would have hurt many businesses and individuals more than the rate cuts would have helped. As a result, businessmen, congressmen and many members of the House Ways and Means Committee objected strongly. The whole bill was endangered until Congress made the necessary improvements.

Mr. Mills firmly insisted in his courtly southern fashion that the Administration must curb spending if it wanted his help in cutting taxes. His stand reflected fears by many legislators, businessmen and others that Mr. Kennedy would try to couple the Heller tax-cut thesis with the Samuelson-Galbraith big-spending recommendations, thereby spending the country into inflation.

The turning point for Mr. Mills came when President Kennedy gave him an advance look in late 1962 at the Administration's budget proposals for the fiscal year which will end this June 30.

The spending figures showed a rise. But Mr. Mills was impressed by the fact that total spending other than that for defense, space and interest on the national debt had leveled off and Defense Secretary Robert S. McNamara promised Pentagon spending would level off the following year.

The rest of the country didn't convince as fast. The structural changes were highly objectionable to business. And it didn't seem to make sense for the government to reduce taxes when it was already running a deficit. Strong demands for federal economy arose. Many people simply didn't believe—and still don't—that the Administration would willingly hold down spending at a time when it was pushing the Area Redevelopment Administration, the Accelerated Public Works program and other big-spending schemes.

"I am convinced that in the early stages of the tax bill, the White House wanted only to throw fuel on the fire so as to cause inflation," says Mr. Byrnes, the Republican tax leader in the House.

Spending holddown a key

Mr. Kennedy made it hard for himself by refusing to pledge to hold down spending since labor and other liberal groups were complaining that he wasn't spending enough. Failure to make a public pledge until nearly the final moment gave Administration forces trouble all through the House.

But this pledge by Mr. Kennedy and, later, by President Johnson not only assured passage of the tax bill but could well help hold down federal spending and deficits into the future.

"President Johnson's signal contribution to the tax bill was to cut his budget spending proposal for fiscal 1965 to $98 billion," says an influential Democrat in the House. Mr. Johnson's pledge came when the bill seemed stuck in the Senate. Much opposition among conservative Democrats melted because of it.

Not all, however. "I don't care what they say in the newspapers,"



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MORE TAX CUTS

continued

asserts Sen. Russell Long, the Louisiana Democrat who managed the tax bill in the Senate. "We and the Administration were scared to death about the bill." The Administration had to turn to Senator Long, a more or less unknown legislative quantity, for its tax leadership in the Senate when Senator Kerr died suddenly on January 1, 1963, just when the tax fight was starting.

"We were really worried," says a Kennedy strategist. "Senator Byrd had made clear he couldn't work for a tax cut without a balanced budget and nobody else in the Senate knew anything about taxes except our opponents." He makes clear that the opponents were the Democratic liberals on the Senate Finance Committee such as Senator Albert Gore of Tennessee and Senator Paul Douglas of Illinois.

Despite Senator Byrd's formal opposition to the tax cut, the Virginian was instrumental in letting the bill pass Congress. The key was an advance look at President Johnson's fiscal 1965 budget which showed lower spending. At that point, Senator Byrd permitted it to be reported out of his committee. Then, reports Senator Long, Mr. Byrd supplied key votes for the Administration against amendments that might have killed the bill.

"Without Senator Byrd," says Louisianan Long, "that ol' frog might have been so loaded with buckshot it never could have got off the ground." Businessmen, too, helped boost the frog off the ground.

The Administration also had support from labor, professional and academic economists and other economic groups. But it was businessmen who swayed key votes in final House and Senate voting.

"The history of the tax cut in Congress proved to me," says a presidential adviser, "that labor is influential when it opposes something. But when you want to get something positive passed, it is support from businessmen which influences congressmen."

Possibly this lesson will be remembered when political leaders total up the results of the tax fight.

But the final assessment may be many years in coming. For, if this year's reduction works, it may be many years before the country sees an end to the direct effects of future tax cuts stemming from the principles underlying the tax cut of 1964.

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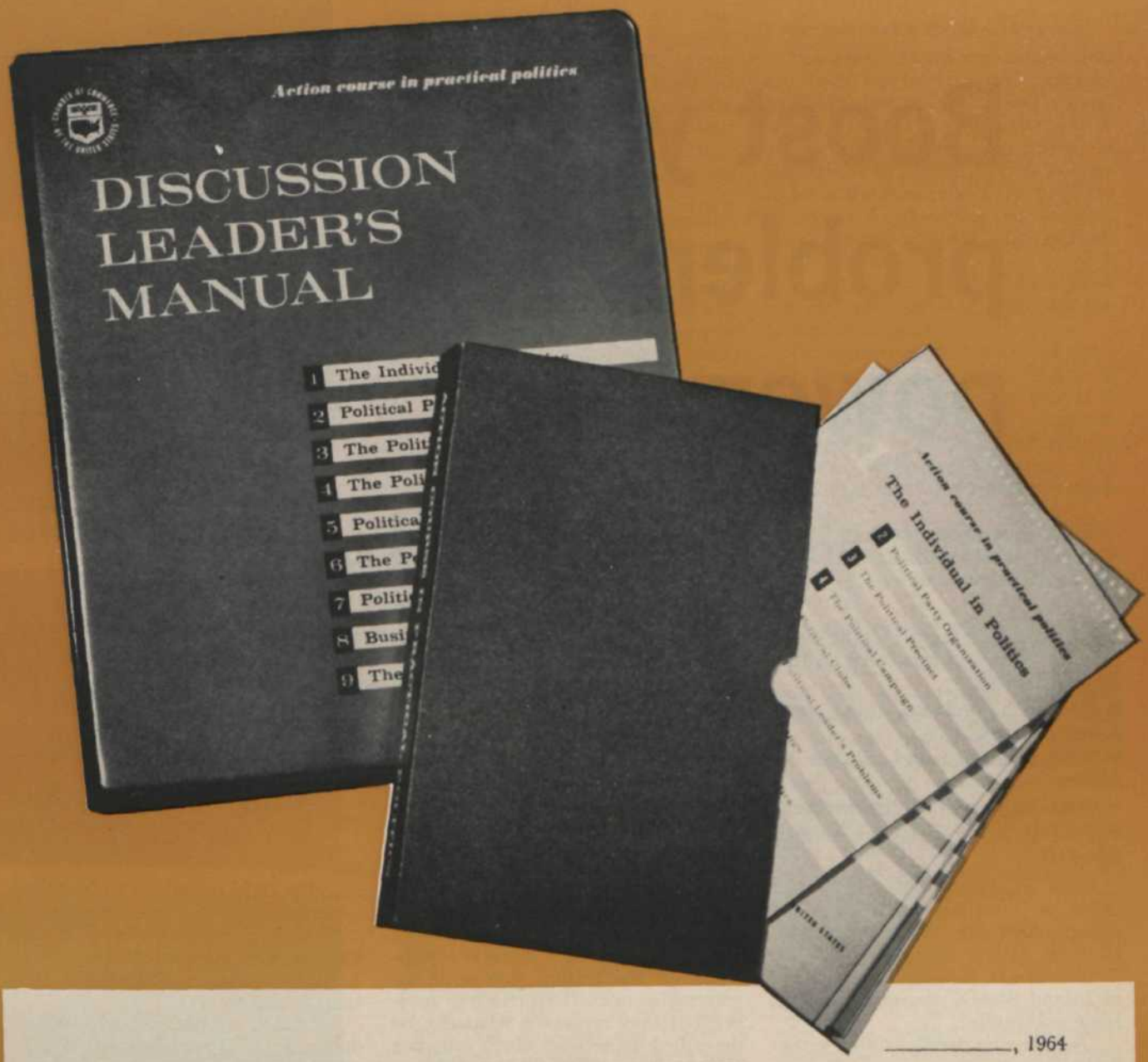
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Clarence B. Randall, former head of Inland Steel Company, puts the issue succinctly:

"A man who decides daily, grows daily."

Since solution-finding is a form of probing which leads to the generation of ideas and action, and is not just a stereotyped response to routine matters, you have to be constantly alert to the kinds of solutions possible in your business, the critical factors moving toward solutions, and the essentials of a sound solution-finding pattern.

A solution can be evasive, compromising or direct. Put another way, you can resort to solutions which are little more than protective action—a safe way out. Or you can find a partial resolution to an existing challenge. Or you can act more constructively, seeking a direct solution geared to company objectives, operating performance, human factors, and the element of strategic timing.

It is in the direct solution, as William Oncken, president of Oncken, Heydrick and Associates, says, that one finds an unwillingness to settle for yesterday's solutions to today's problems.

Such solutions, while involving policies and limits of the company, reflect a concern for means and ends. They may culminate merely in replacement of a piece of equipment on the testing line or in an exhaustive operations research project, but they represent what can be described as actions which advance the objectives of the business. More important, they represent action of the kind you would expect from a professional.

How the problem looks to you

All solution-finding necessarily begins with an assessment of the situation. The way you size up a situation greatly influences the way you pursue solutions. You can size it up accurately and comprehensively, see just one dimension of the problem, or miss it completely. Observational powers, knowledge of a system or procedure, open-mindedness, diagnostic ability—all can make the difference.

Your efforts in sizing up a situation should cover these important points:

. . . the risks involved;

. . . the clearing away of misconceptions;

. . . the dimensions of the problem—economic, technical, etc.;

. . . the degree of urgency in solving it;

. . . the probable impact if it goes unsolved;

. . . the right questions to be asked —answers will come along later.

Basically, what's needed is the kind of perception which goes deep.

How you view a problem will tend to define it.

As the noted logician and philosopher, John Dewey, pointed out: A problem well stated is already half-solved.

How a problem looks to you is important in several respects. Your perception can be unduly influenced by your field of technical specialization.

It may also be narrowed because of some blind spot in regard to people, costs, ideas, values, or systems —or even your own responsibilities.

The capable problem-solver—the man who has good perception—recognizes that in many instances a decision of the present is likely to be a decision of the future. A solution may lead to modification of an existing policy, revamping of standards, the reassignment of key peo-

Four steps to finding solutions

1 assess situation

2 be well informed

3 seek out good advice

4 consider alternatives

ple, the loosening or tightening of management controls.

Tackling a problem may be wholly within your authority, or only partially so. It may be within the province of another company official. It may be subject to review and veto by an organizational unit. The lines of responsibility and authority may be so fuzzy that you are really not sure whether finding the solution is something you should do.

You can undertake it, generally, under one of three circumstances: first, if it is clearly within your authority; second, if your boss asks you to undertake it, even if the authority is not well established or is marginal; or, third, when your department or division has more at stake than other units of the organization. In the latter instance, an aggressive manager simply takes over.

As James E. Black, a top official of the Pennsylvania Railroad, observes: "It can be said that the good manager holds the initiative."

The modern contradiction

This is of utmost importance because in modern management we face a serious contradiction. We are told that decisions should be made at the level closest to the problem. There the manager and his people are technically competent to handle the problem. There the consequence of the decision will be felt most. In fact, we are told that accountability will be pinned on him, and this will be reflected in evaluating his performance. The soundness of this concept is advocated by Peter Drucker, Harold Smiddy, and other leading spokesmen in the field of management.

Yet, this precept is violated so often that knowing the locale of authority is a critical factor in moving toward solutions to problems. One-man rule, second-guessers, executive intervention in the operating end of the business, and other such influences prevail in many firms.

Knowing the extent of your authority to seek solutions is critical, too, in staff-minded organizations with an army of specialists on hand to do problem-analysis and recommend solutions. To the extent that they invade the middle manager's line responsibility and erode his authority, it is important that he know his authority literally rather than what the organizational manual describes it to be.

In short, one has to know, realistically, where the decision centers are. Where these restrict his authority he can accept it, fight it, or file a resumé with a reputable executive recruitment firm.

Your approach to the problem

The temptations are many. You can cock an ear toward company tradition and do what's been done before. You can assign the job to a committee. Or you can retreat to the rule book. It may even be easy to twist the meaning of the problem so as to fit it under an existing policy interpretation. You can get legal counsel to render an opinion that nothing should be done. You can let the problem ride for an indefinite period.

It's equally tempting to seek some pat formula: Too many hands in planning and scheduling—give it to one man. Put it on the computer. Tighten up on controls. Restrict the union's influence. Centralize. Call in a consultant. Get rid of the deadwood.

There is no shortage of pat formulas. Unfortunately, the problems won't always accommodate to the formulas.

A constructive approach involves certain basic requirements. Get to the origin of the problem, as best you can, and distinguish between symptoms and causes. This leads to the next requirement: probing for evidence and validating it. In doing so you have to separate facts, opinions, fictions, and emotions.

Expect obstacles: the absence of data, sensitivities of people involved, rumors which have gone the full cycle and left their impact, supervisory cover-up. Deal with the obstacles as effectively as you can but guard against compounding the problem.

Be well informed on current policies, goals, production requirements, standards of performance, and available informational tools. Seek out good advice from your superiors, subordinates, and other managers. They can help you gain a fresh point of view, clarify technical aspects of the problem, or point out how similar problems have been handled in the past.

Consider alternatives. Check them out for advantages and disadvantages. Select the one which appears best in the light of your company's objectives, operations, the costs involved, and the likelihood of the solution being converted into decision and action.

Your approach should disclose an awareness of the kind of problem involved. Professor John E. Arnold

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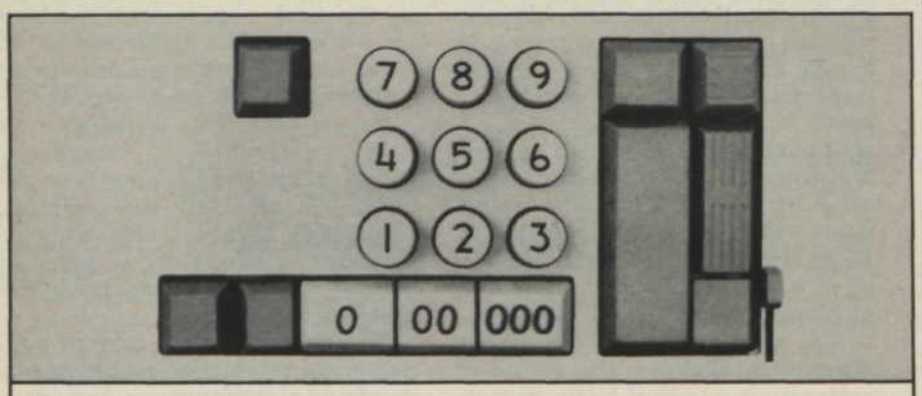
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PROBLEM-SOLVING

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of Massachusetts Institute of Technology cautions that we must know the difference between an "analytical problem," where the conditions are stated and generally one sound solution will emerge, and a "creative problem" which is open to a variety of solutions, of which some may be conventional and others innovative.

Your powers to persuade

Solutions have to result in actions that are enforceable. They also must be communicated with clarity, timeliness, and effectiveness. Otherwise they lead to confusion and anxiety.

For this reason one of the critical factors is the manager's power of persuasion. He has to get the people involved to acknowledge the problem and accept his solution. He has to allay their fears. He must listen to their ideas, proposals, and analyses, but not yield to their expectations.

The degree of participation of those involved ultimately proves to be the manager's most potent means of persuasion. This was well expressed by the president of Ansul Chemical Company, Robert C. Hood, when he said that "far and away the most powerful concept in our management philosophy is the idea that people support what they help create."

Involvement extends to one's bosses as well. Keeping them posted on progress in the search for a solution, conferring with them as necessary to draw upon their experience, and even standing up and doing battle with them, all add to persuasiveness. Being articulate is an advantage too.

The solution-finding orbit is not an easy one within which to move. You'll encounter sacred cows, entrenched bureaucrats. Goals and subgoals which don't mesh, policies poorly conceived or too loosely interpreted, systems and procedures born of another day, staff work of mediocre caliber—these add to the difficulties. Unilateral decisions by the boss which hamper your free and objective search for a solution compound the confusion.

It is precisely because the manager lives in this orbit that he has to use the assets which make him a good manager: a feel for the situation at hand, an understanding of and loyalty to company objectives, cost-consciousness, conceptual skill, analytical ability, good judgment, ability to work well with others,



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PROBLEM-SOLVING

continued

decisiveness. These competencies enable him to implement the important elements of perceptiveness, authority, sound approach, and persuasion.

There are other steps you should take in finding and applying solutions to problems:

Monitor how things are going, using reports, staff meetings, complaints and criticisms, confidential memos, as information sources.

Get moving at least on an exploratory basis to determine the severity and frequency of the problem and its impact on people and their performance.

Ring in people close to the problem and those who might have had

Danger in growth—
that's novel theory
held by famed Prof.
C. Northcote Parkinson.
He explains in
exclusive interview
starting on page 36

experience with similar problems, and elicit their participation and ideas.

Above all, it's your perceptiveness in sizing up the problem and your willingness to move toward a direct solution which count most. As Winston Churchill narrates in his account of the meetings with Roosevelt and his advisers, it was always Harry Hopkins who went to the root of the matter and asked the key question: "Surely, Mr. President, here is the point we have got to settle: 'Are we going to face it or not?' Faced it always was and, being faced, was conquered."

—NATHANIEL STEWART

REPRINTS *of "Boost Your Problem-Solving Power" may be obtained for 25 cents a copy, $12 per 100 or $90 per 1,000 postpaid from Nation's Business, 1615 H St., N. W., Washington, D. C. 20006. Please enclose remittance with order.*





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Nation's Business • May 1964



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Do you feel a restless craving for adventure? An urge to range far and free?

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The 90 hp 90-S is a compact V-4 motor. Perfectly balanced. Each cylinder is precisely fed with its own manifold . . . its own sealed crankcase chamber. A new concept perfected in speed run tests.

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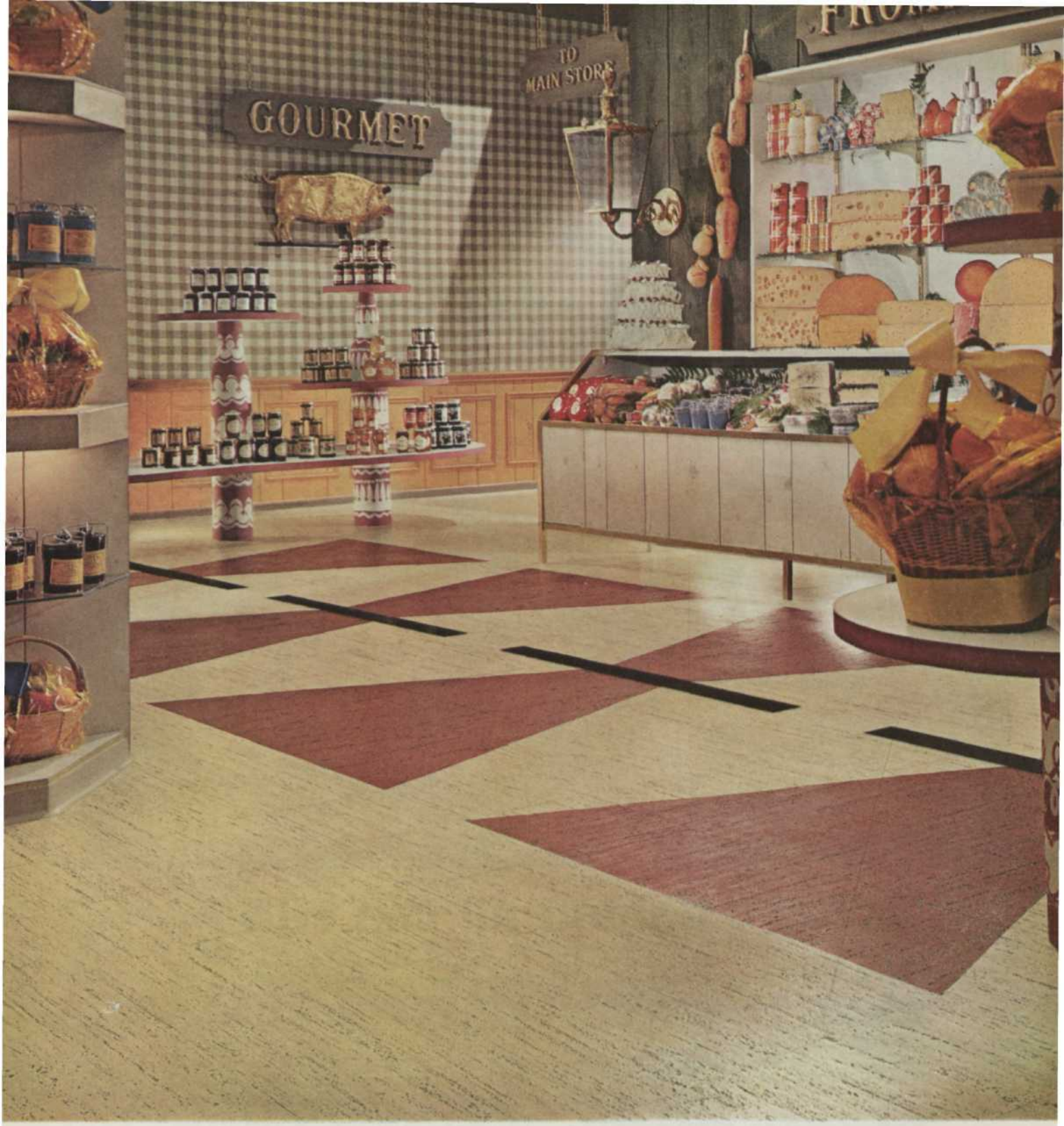
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